

Credit and FINANCIAL MANAGEMENT

BUS. ADM.
LIBRARY

JUL 27 1949



JULY
1949

The Credit Executive's Place in Management	4
What You Can Do About Employee Dishonesty	8
How to Make the Proper Approach to Customers	10

This is your last chance to do yourself a favor

On Monday morning, August 22, the third session of the Executives' School of Credit and Financial Management will commence at the University of Wisconsin. The students at this session will be *executives*, all of them. They will represent companies large and small. They will come from all parts of the country.

There is still time to join them.

The Executives' School of Credit and Financial Management, founded in 1947 and conducted by the National Association of Credit Men in cooperation with the University of Wisconsin on the beautiful Wisconsin campus, gives to executives, junior and senior, a unique opportunity to explore the whole science of business management under the guidance of leading figures in the business and educational fields. The calibre of the faculty is outstanding, and the students have been carefully screened to assure a uniform standard of achievement, since the school does not concern itself with everyday details. There are no academic requirements. Registrants are accepted on a basis of their business experience.

A glance at some of the courses offered will give a good idea of what the Executives' School of Credit and Financial Management has to offer. For example:

Management—the science of being an executive;

Finance—where to go for money for a business and what to do with it when you get it;

Marketing—the trends and influences that affect the distribution of your company's products.

This year's two-week session runs from August 22 to September 3, so there is no time for delay. Write at once and see how this school can be of immense benefit to you.

Executives' School of Credit and Financial Management

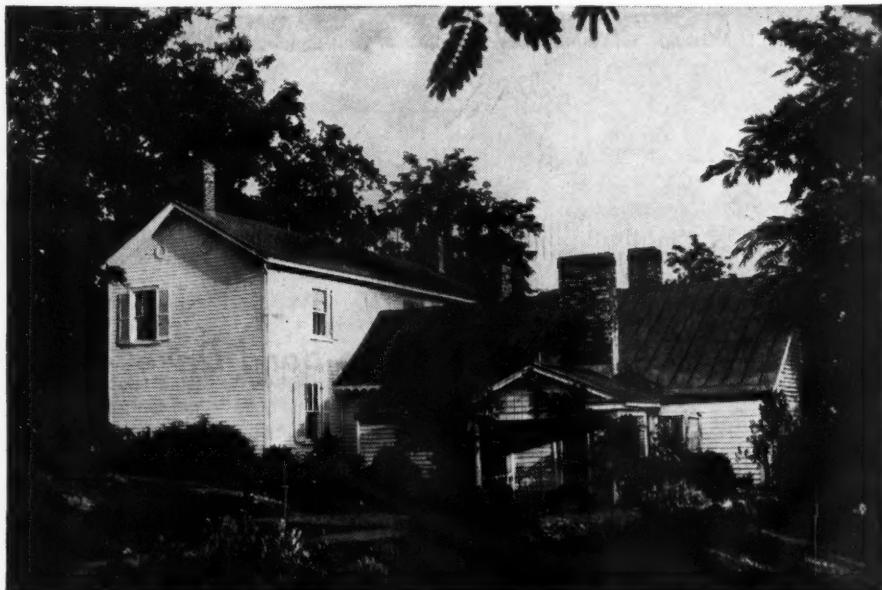
One Park Avenue

New York 16, N.Y.



ASH LAWN

"Cabin-castle of the Fifth President"



From this home, two miles distant from Monticello, Monroe used to signal to his friend Thomas Jefferson

every instance maintained the reputation of a brave, active and sensible officer."

When Monroe married the beautiful and aristocratic Elizabeth Kortright, her friends "twitted her with the amiable reflection that she was expected to have done better." Not only was the marriage unusually happy, however, but the "not particularly attractive" Virginia Congressman served three terms as Governor of Virginia, became U. S. Senator, minister to France and to England, Secretary of State, Secretary of War, and was twice elected President.

While a law student, Monroe formed a close friendship with Thomas Jefferson which prompted his acquiring Ash Lawn, a plantation near Monticello, the latter's home, and there he built his "cabin-castle." This one-and-a-half story frame house was completed about 1798 under Jefferson's supervision while Monroe was in France. The gardens of Versailles are believed to have inspired the beautiful boxwood garden which Monroe planted. The twenty-six years he spent at Ash Lawn were the hap-

piest of his career but his election to the Presidency obliged him to leave.

As his years of service to his country left him in straitened circumstances, Monroe was obliged to sell Ash Lawn in

1825. His last days were spent with his daughter in New York where he was a familiar figure in his black velvet knee breeches and buckled shoes.

Considerably enlarged by a subsequent owner, Ash Lawn was restored and opened to the public on Monroe's birthday, April 28, 1930.

* * *

The Home, through its agents and brokers, is America's leading insurance protector of American homes and the homes of American industry.

★ THE HOME ★
Insurance Company

Home Office: 59 Maiden Lane, New York 8, N.Y.

FIRE • AUTOMOBILE • MARINE

The Home Indemnity Company, an affiliate, writes Casualty Insurance, Fidelity & Surety Bonds

Copyright 1949, The Home Insurance Company



View of his daughter's room

Editorial



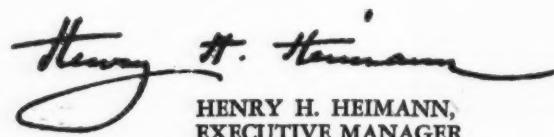
"Opportunity" in the Bond Drive

THE "opportunity" drive for the sale of government bonds is thought provoking. The need for sound government financing is self evident and a wider distribution of government debt normally makes for better citizenship. But the "opportunity" is not confined to the bond buyer alone.

The government too has a splendid opportunity before it. It has the opportunity to try to redeem its implied promise made to any holder of a government bond. This promise is clear and unmistakable. That pledge is that the government will so conduct its fiscal affairs that when a bond matures the buyer will receive in payment dollars of as nearly equal purchasing power as the value of those he invested when he bought the bond. Incurring deficits in these days of high productivity and tremendous income is inexcusable if not dishonest. If individuals or businesses handled their affairs as the government has done, and is again contemplating doing, their credit would be impaired. They would be poor risks.

The government too can impair its credit. Unless it is conscious of its "opportunity" to redeem its pledges it has little right to suggest in a peacetime economy that a prospective bond buyer is being given an "opportunity." No one regards an indirect tax, through inflation of the dollar, of fifty percent of their capital as either an opportunity or investment. In truth it is a catastrophe.

Let the government take care that the covering on its prairie schooner, symbolic of the courage of a pioneering people, and used to promote its bond drive, not turn into a shroud for regrets.



Henry H. Heimann
HENRY H. HEIMANN,
EXECUTIVE MANAGER

COMING EVENTS

October 13-15

Southeast Conference
Memphis, Tenn.

Tri-State Conference
Albany, N. Y.



October 14-15

Ohio Valley Regional
Conference
Dayton, Ohio



October 20-21

Tri-State Conference
Sioux City, Iowa



October 21

Illinois State
Conference
Chicago



October 21-22

Mid-west Credit Women's
Conference
St. Louis, Mo.



October 28-29

Tri-State Conference
St. Joseph, Mo.



1950

March 17-18

North-Central Credit
Conference
St. Paul, Minn.



May 14-18

54th Annual
Credit Congress
Biltmore Hotel
Los Angeles, Calif.

Credit and FINANCIAL MANAGEMENT

JULY, 1949

Official Publication of the
National Association of Credit Men

VOLUME 51, NUMBER 7

CONTENTS

"Opportunity" in the bond drive (Editorial)	Henry H. Heimann	2
The credit executive's place in management	Thomas H. Nelson	4
What can be done about employee dishonesty	Walter L. Flynn and Joseph Getz	8
Accent on attitude	H. M. Sommers	10
What do we know about business cycles?	Raymond V. McNally	14
The current economic picture—as it affects credit	H. E. Luedicke	17
Recent court decisions	Carl B. Everberg	24
Letters to the editor		26
The zebra corral		32
Association news		33

(Cover picture from Philip Gendreau, New York)

RICHARD G. TOBIN
Editor and Manager

LESLIE E. JONES
Associate Editor

Editorial Offices: One Park Avenue, New York 16, N. Y.

Advertising Representatives

Eastern Area—

The Warren T. Mayers Co., 130 East 61st St., New York 21, N. Y.

Midwestern Area—

Reinig and Shondell, 22 E. Huron St., Chicago, Ill.



Published on the 15th of each month by the National Association of Credit Men, 1309 Noble Street, Philadelphia 23, Pennsylvania. Entered as second class matter December 22, 1933, at the Post Office at Philadelphia, Pa., under the act of March 3, 1879. Subscription price \$3.00 a year, 25c per copy; Canada, \$3.50; all other countries, \$4.00 postpaid. Copyright, 1949. National Association of Credit Men is responsible only for official Association statements and announcements printed herein.

The Credit Executive's Place in Management

by THOMAS H. NELSON

President, Executive Training, Inc., New York

Partner, Rogers & Slade, Management Consultants, New York

YOU have asked me to throw the spotlight of attention on the management aspect of the credit executive's work and relationships. This is one of four different angles from which we might appraise the credit executive.

First we could look at the technical specialized knowledge and experience which makes the credit manager different from the sales, or engineering or the manufacturing manager.

In the second place we could appraise him as a *person*, likable or not so likable, aware of what makes people click, or not sensitive to human motivations, skilled in the techniques of wholesome human relations or difficult to get along with. Each one of you could probably name at least one individual who knows his credit specialty but fails to do his job well because of the kind of a person he is.

Third, we could appraise the credit manager as a *citizen*. He is either concerned about the kind of society his business is helping to build or he is interested only in profit now for his company and advancement for himself. He is a good citizen or he isn't.

Fourth, we can look at the credit executive as a *manager*. We can appraise the way he plans, organizes, and directs his department and we can appraise the way he plays his part on the overall management team. *This is our concern for the next few minutes.*

Our concern is with what he needs to know about Management and how he functions effectively as a part of Management.

Why More Attention to the Management Phase?

IN THE first place the credit executive who supervises a group of persons has to get results through others. That is the very essence of being an executive. His own usefulness depends increasingly on the quantity and quality of what he gets from subordinates. I don't have to tell you that it is more difficult today to direct and motivate productive effort than when we gray-haired persons started out in business. Thirty years ago we didn't know any better than to arrive early, work hard, stay late and take our assignments seriously. Some of you may be such good managers of people that you don't notice any difference today but if so you deserve a pat on the back even if you have to give it to yourself.

Today we must keep abreast of the evolving science and art of management even to get our own job done well and on time.

And second, the credit executive's own personal advancement depends on it. His larger values to the company depend as much upon his management qualifications as upon his credit specializations. I'm not going to risk saying here what salary a credit specialist is worth, but whatever he is worth as a specialist should be doubled or trebled depending on his management abilities. The ambitious credit executive will find the ladder of personal achievement both higher in reach and easier to climb if he is intelligent, progressive and growing in the science and art of Management.

What Is Management?

We have been referring to the functions of management as if it were something different from the technical specializations of credits, or sales or manufacturing, for examples.

That is exactly what the leaders of many progressive companies are recognizing today.

The term Management is used in two major ways in business. Sometimes it refers to *People*; those who are responsible for running the business. At other times it refers to the *Activities* involved in running the business. I want to direct your attention primarily to the activities, or if you prefer, the functions of management. This is the "what" side of management, instead of the "who" side.

As activities, management in business is the science and the art of combining ideas, facilities, processes, materials, and people to produce and market a worthy product or service profitably.

A business is well managed when the results are satisfying to customers, to employees, to stockholders and to the public. Good management must maintain a wholesome balance between these four groups, the customers, the employees, the stockholders and the public.

There was a time when the stockholders got practically all of the attention. At that time, the managers and the owners were largely the same persons. Today, however, businesses are increasingly run by a professional group of managers who are not like the original owners.

And today the customer, the organized employee and the public through its agency of government are giving the manager a lot of new concerns and worries. Consequently, the functions and activities of management are in the midst of change. Let's look at some of these changes.

TODAY one recognizes that management is something more than expertise and superiority in a specialized area. A manager need not be a better specialist in each area than those he directs; in fact, the really wise manager seeks to surround himself with specialists, each of whom may be superior to himself in his assigned area of responsibility.

Some managers fear this policy; they think their power of direction depends on being able to "show up" each subordinate occasionally. Consequently, such a manager attracts and retains inferior subordinates; his methods get rid of those who can do certain things better than the manager. He finds himself busy most of the time doing the tough jobs for his subordinates.

Of course, that makes him feel important and keeps others catering to him. But it kills managers before their time (at least chronologically); it fails to prepare subordinates to take over; and it limits the expansion of the organization's services because the manager believes that he must be able to give personal attention to all management activities.

The modern manager does nothing he can get others to do. His major job is coordination of capable specialists, some of whom are potentially able to take over his job. His usefulness is not measured by his *indispensability* nor by the seriousness of what would happen if he should step out of the picture, but rather by the outstanding capacity of his subordinates and the smoothness of their operations.

Today it is recognized that the *basic qualifications for management are separate from, they are different from, and they are over and above experience and abilities in specialized areas.*

ANOTHER characteristic of this new type of manager is that he thinks in terms of *functions* rather than in terms of *specific operations*, and *specific methods*, which should

be the responsibilities of subordinates. What are these functions? Probably the simplest way to summarize them is to say that there are five basic functions:

- (1) Planning
- (2) Organizing
- (3) Directing
- (4) Coordinating
- (5) Controlling.

These are old words. We've used them in business for a long time. But they are gaining new meanings.

The function of planning is very broad. It ranges all the way from defining the overall company objectives and goals to the planning of work programs, both long range and short range. It includes the formulation of *policies* that provide guides to specific decisions so that they are consistent without the necessity of constant clearance with superiors. Recently a group of vice presidents and division heads of a progressive company outlined a program of management development conferences for their own self-improvement and the development of those who reported to them. What would you guess was their major concern? It was this—"How to manage one's own time and energy so as to have sufficient time for creative and important work?" They were searching for principles and methods of planning their own management activities.

ORGANIZATION, the second major function of a manager was the second largest concern of this same group. Again and again it has been established that most of the personality conflicts and failures to cooperate effectively on the executive level are due to faulty organization relationships. Too often men holding important positions do not know their responsibilities, their authorities and their relationships to others. This results in overlaps, sometimes open conflict, or it results in a "no man's land" which is just as bad though less unpleasant.

There are principles and methods of organization; every person in a management position should know them and apply them just as rigorously as the engineer applies his formulas and the credit specialist applies his.

Experience shows that it is not enough to draw up beautiful charts

and write up an elaborate organization manual. The members of the management team have to understand and accept the *why* of the organization principles not merely the *what* of the organization plan.

THE third function of the manager is sometimes called *executive direction*. Here is where executives seem to differ most in the ways they perform or rather in the ways they get others to perform. Why does Mr. Smith get so much better results from his subordinates than Mr. Jones? Mr. Smith is not more brilliant intellectually; he may be less of a technical specialist in his area than Jones; he doesn't work harder, in fact, he seems not to work as hard. But somehow people do more for him and complain less. Smith may be very modest and make no claims to the secrets of human motivations, but whether he admits it or not he's making use of the growing sciences of psychology and of sociology as applied to business situations.

He regards each person as a unique individual, different from others; through personal contacts he finds out what makes each person tick; he demonstrates a sincere personal interest in individuals. He makes persons feel secure rather than appeals to fear. He gives them recognition for good performance so that they set high standards for themselves and seek to maintain them. He asks his assistants and subordinates for suggestions and gives them credit so that his whole staff helps him improve operations. He makes persons want to reach for and take responsibility rather than let the boss do all the worrying. He sets up the challenge of tomorrow being better than today so that persons see opportunity ahead instead of mere routine and monotony. Persons then give more of themselves in making reality out of tomorrow's possibilities.

He creates pride in belonging to the team; often in belonging to the company as a whole.

A sense of security, the awareness of recognition, the feeling of having influence, the challenge of opportunity, the sense of belonging to a worthwhile enterprise are psychological forces as real as the chemical and physical forces which our

engineers are using so effectively today. There are incentives to performance which go beyond the mere earning of money, important as that is.

We may not have reduced these motivating forces to mathematical formulas and accurate scientific principles but we can learn to understand them and use them to maintain wholesome human relations, to build morale and teamwork, to develop persons for larger responsibility and to improve productivity.

These are some of the basic principles of executive direction.

THE fourth major function of the manager is *Coordination*—making the parts of an organization fit together; to give them unity; to see that each unit understands the other units, helps the others whenever possible and avoids hindering the other units,—this is a major concern of every executive. Did you ever try to get somewhere quickly in a car when the clutch was slipping badly? The engine races, gasoline and oil are being burned up, plenty of power is available, but if the car moves at all, it is like a jack rabbit,—now a jump, now a hop. Power and noise aplenty—even the driver's vocabulary is strained to the limit—but performance is practically nothing! That's lack of coordination!

As organizations become bigger and bigger, the necessity for clear cut and open channels of communication,—up, down and across the organization structure become more evident.

One can identify three major viewpoints at work in the communication methods of different executives. Some emphasize "tell 'em," some emphasize "sell 'em" and some emphasize "consult with them."

When a manager says, "We believe in and practice consultative management," one can expect him to go further and describe a plan by which the head of each department regularly brings his associates into conferences for discussion of the goals, progress, and problems of the department. He does the same with those who report to him.

The meetings enlist the free and frank discussion of everyone; they are not dominated by the department head. Members feel free to express their real thoughts. Executive

decisions give consideration to the opinions expressed. In any effective plan of consultative management, the policies and decisions agreed upon by top management groups are represented to groups down the line so that they may be clearly understood and plans for their implementation may be discussed. These meetings provide communication *down* the line of organization.

At the same time the groups present their suggestions, which have grown out of their experience, for making policies work more effectively. Furthermore, they have the assurance that their ideas are being considered by superiors. Thus, these meetings also provide communication *up* the line of organization. If department heads clear with each other through periodic conference, there is communication *across* the organization. Consultative management thus provides three-way communication so essential to effective coordination. A junior executive was telling me recently about his boss. He said "my chief brags about his open door. Every so often he says 'bring me your suggestions' but woe unto anyone who dares to try it."

SO FAR we have mentioned four basic functions of Management: Planning, Organizing, Directing and Coordinating. Now, we are ready for the fifth and last. It is usually stated as *Controlling*.

Too often the word "control" means "prevention" or "restriction" by a person who has authority and power over others. Today it means "knowing what is going on, as compared to plans and standards, in time to take remedial action where needed to prevent unsatisfactory results."

Control then is: first, being informed of progress; second, interpretation of trends and prediction of results; and third, knowing where, when, and how to initiate remedial action in time.

The new manager exercises this kind of control with a minimum of restriction and he does it quite differently than did the old authoritarian. The latter, and he still exists in disturbing numbers, tends to exercise control by: making practically all decisions himself; requiring that others secure his approval of even minor decisions; declining to state

policies and standard procedures in writing because that would make it difficult for him to "change his mind" and sometimes encouraging a few selected persons to act as "undercover men" and report to him unofficially.

Consequently, the authoritarian type of manager finds himself constantly bedeviled by the necessity of deciding, approving, and checking up on specifics. His subordinates fear him because they cannot predict his actions. They seldom embarrass him with initiative or by taking responsibility. He feels very indispensable, very important, and too often he likes it.

ON THE other hand the modern manager is critical of himself whenever he has to act for a subordinate. He controls through clear cut policies; through clear definitions of authority and through decisions on exceptions not on routine. Consequently he gets better control with less effort and worry.

His control methods include utilization of:

1. Clear-cut policies and standards of performance which guide employees in making most of the required decisions regarding repetitive operations without consulting or even getting approval.
2. Clear-cut delegation of authority so that each worker knows when he can decide without incurring displeasure.
3. Standard, periodic reports which keep the manager constantly informed, both as to how achievement compares with plan and what results are anticipated.
4. Services of persons who are capable of acting within policies, plan, and standards and who are encouraged to take initiative and exercise responsibility within delegated authorities.
5. Management decisions which deal principally with special problems rather than with routine, repetitive, day-by-day operations.

These control methods result in *fewer mistakes* by employees because they know what to do, how it should be done, when to decide, and when to get approval. They encourage initiative and the taking of responsibility which means *increased productivity* down the line. They develop persons for future promo-



Thomas H. Nelson

who is also a member of the resident faculty of the Executives' School of Credit and Financial Management which opens this year on August 22. (See inside front cover.)

tions. They save the manager's time and *reduce his worries*.

WE HAVE mentioned five major functions of Management: planning, organizing, directing, coordinating, and control.

Our purpose has not been merely to list or even describe them but rather to point out that underlying these functions are principles and methods about which the manager needs to be as well informed and as skilled as he is in his technical field of credits and finance.

It is not enough to say "yes, I know that the manager plans, organizes, directs, coordinates, and controls." He must be able to say, "I know how to plan, how to organize, how to direct, how to coordinate, how to exercise control. I know the principles underlying these functions and I am skilled in the methods and techniques of applying these principles in my own business."

THE up to date, progressive manager has to be a student of modern management. There was a time when the executive thought of himself as a finished product, he had arrived. The very fact that he had to give "orders" to others, the very fact that he had to exercise authority tended to make him feel that he knew the answers; too often he assumed that he knew all the answers and that what he knew was final.

But it is being recognized today that it is no disgrace for a 50-year-old, even a 60-year-old, manager to be engaged in a systematic study of management.

Several months ago the American Management Association found that over 100 of America's large and successful companies were providing systematic programs of executive development and that some of them were providing conference discussions on management for the very top positions. That is not surprising.

While the art of management is as old as man, the Science of Management is younger than most of us here.

Between 1920 and 1930 one of my jobs was to assist a group of young schools of commerce to build and offer courses in accountancy, marketing, finance and management. It may be difficult to believe now but there were not even text books available. In 1915 the best books in accounting were in pamphlet form. In 1920 we had to outline and get writers to produce texts in sales, advertising, real estate, credit management. And the writings, in management itself, were almost entirely biographies of what a particular executive had done.

But today we could spend our entire time in doing nothing but reading the books, magazines and articles on management.

RECENTLY I made a list of the various books on Organization and Management referred to in a 1948 text on the subject. Here are the results:

There were 82 books mentioned.
None were published before 1911.
2 or 2% were published before 1921.
16 or 20% were published before 1931.
66 or nearly 80% were published since 1931—that is, in the last 17 years.

Practically all of the magazines dealing with Management are of recent origin. The youngest book club to come to my attention is the Executive Book Club.

All we are saying is that the organized systematic knowledge which we as business executives must know, understand and use, is recent. Management is a comparatively new subject. The literature is rapidly

expanding. You and I have to find some way of absorbing it as we keep our jobs going and we have to see that our subordinates are also kept up to date. That is a management development job and more than 100 progressive American companies are providing systematic programs of management development for their top executives.

Management for What Ends?

WHY should a Manager not only work hard on *his job* but also work hard *on himself* to become the best possible manager? Selfishly, of course, for his advancement. And for the financial welfare of the company of which he is part of. But today there is something greater than personal and company success called for.

Mr. Clarence Francis, Chairman of the Board of the General Foods Corporation, in speaking to the top executives during the company's management development sessions said something like this:

"When I came into business thirty years ago the prevailing idea was that whatever was good for business was good for people. But today the prevailing idea is that whatever is good for people is good for the business."

Today the business man has to have a philosophy, a point of view, a code of values that is consistent with the times in which he lives and works.

When a specialist in business recognizes that he has become a part of management he shares responsibility for the human values which his business fosters and creates. At the same time he must accept his share of blame for the failure of his business to forward basic human and social values.

We in management need to think through what we stand for; we need to become vocal for values of which we can be proud. Our philosophy of business and the end products of our economic efforts must be acceptable to and for increasing numbers of people. Only then do we live up to the trust imposed in us.

The up-to-date modern manager thinks through the changes occurring in our socio-economic-political scene

(Continued on Page 29)

WHILE there is no accurate record kept anywhere of the total amount stolen each year by employees, some experts estimate it to be as much as \$400,000,000 a year.

What effect does this tremendous amount of loss have upon business, the individuals who steal the money, as well as society generally? In a number of instances the total thefts from a particular firm have been so large that they have forced the firm into bankruptcy.

Effect Upon Business

It is at such times that innocent employees lose their jobs and those who have extended credit suffer a financial loss because they collect only a small portion of the amount advanced. What other effects do dishonesty losses have upon business generally? They weaken the morale of other employees. Take for example the trusted bookkeeper who has been employed for twenty years or more. He is well liked and respected by his fellow employees. Suddenly it is discovered that he is a thief and has been concealing thefts from his employer. The other employees are shocked to learn the news and they ask themselves, "Whom can we trust." They look suspiciously at each other and thus the morale of the entire organization is weakened because of one employee's dishonesty.

Effect Upon The Defaulter And His Family

What effect does dishonesty have upon the defaulter himself and his relatives? As a rule, when the facts are made known, the defaulter is arrested and sent to prison. Thus he is taken out of society, in disgrace and punished for his wrongful act but the embarrassment and disgrace brought upon the defaulter's family is many times more trying than that brought upon the defaulter himself. He goes to prison where he is fed and clothed and allowed to follow a secluded life. The wife and children, father and mother and other near relatives of the defaulter do not enjoy the same privileges. They must continue to live in society where they are many times subjected to ostracism and criticism.

How many of us have ever considered that each time a dishonest

What can be done about

EMPLOYEE DISHONESTY?

by

WALTER L. FLYNN

Manager, Research Department,
National Surety Corporation,
New York

and

JOSEPH GETZ

Member of New York State
Society of Certified Public Accountants,
New York

employee is sent to prison it places a burden upon us as taxpayers for the cost of feeding and maintaining the defaulter while he is in prison?

Reasons for Employee Dishonesty

Why do employees steal money? The motive which prompts the first theft generally stems from a need of money. The need might be one created by a debt which the employee is unable to meet caused by illness, accident, or any number of reasons, but the debt has become a financial emergency in the life of the employee. While such a motive is primarily the reason, for a large majority of defalcations it is not always the case. Some employees have stolen from their employers because of resentment. There have been other cases where employees have wanted things in this life which they could not buy on their incomes, so they stole money to satisfy their desires. There have been other instances where employees have been bad business managers in running their personal affairs and for that reason have gone into debt.

As a rule, the first time an employee commits a theft he tries to convince himself that he is only "borrowing" the money. He uses that reasoning in an attempt to jus-

tify, within himself, an act which he knows is wrong. Then, the dishonest employee becomes desperate and he continues his thefts, usually with disastrous effect for himself and sometimes for his employer. Many times, in an attempt to obtain the money so that he might replace it, the defaulter resorts to betting on horse-races or other gambling.

Recommended Preventive Measures— (1) Personnel

It is not possible to stop dishonesty in its entirety, but employers can use certain safeguard measures which will enable them to minimize losses and control them as far as it is possible to do so.

The first preventive measure has to do with personnel. Aside from the safeguards which will be suggested later with regard to accounting control, it is advisable for every employer to follow certain procedures in the hiring of new employees. During the recent manpower shortage several industries were troubled with employees known as "floaters." They were men and women who obtained jobs, generally as cashiers using fictitious names and references. They occupied a job just long enough to gather together as much money as they could and absconded.

One girl obtained jobs in four different department stores in New York and Philadelphia, using a different name each time. She stole an average of between \$300 and \$400 in each job before she was caught and sent to prison. Another individual obtained a job with a chain cigar store company in New York. On the second day of his employment he was given \$1,800 in cash to deposit in the bank. The cigar store became \$1,800 poorer and the thief became \$1,800 richer that day.

The hotel industry was troubled with "floaters" for a time. They traveled from hotel to hotel obtaining jobs as night clerks or in some similar capacity.

WHENEVER an employee is employed in the capacity in which he will have access to money or property his trustworthiness and honesty should be beyond doubt. The employer should obtain background information concerning the prospective employee. The cost of obtaining this information is relatively small and the benefits are immeasurably large. Inquiries should be made among friends, neighbors, former employers, teachers, creditors and others who have contact with the employee.

Such inquiries should be handled in a manner as to avoid embarrassment for the prospective employee. They should not be merely superficial and personal contact with the persons of whom the inquiries are to be made will bring to light much more information than form letters of inquiry. After the information has been obtained it is recommended that it be kept in utmost confidence and filed in a place accessible only to those in charge of the personnel of the employer. If each person interviewed is advised of the purpose of the inquiry there can be no misunderstanding concerning the employee's status.

Recommended Preventive Measures— (2) Accounting

In most cases when an employee steals, it is made possible because the employer has created an opportunity to steal money or property without fear of immediate detection. It may be that the employee is given the sole control of a cash fund and he knows that it is checked and audited only once a year. There-

Two surety bonds totaling \$5,000,000 to cover the construction of the huge Conemaugh River dam have been arranged recently by the Aetna Casualty and Surety Company for the Savin Construction Corporation of East Hartford, Connecticut.

The \$8,736,000 contract for the Conemaugh dam, a large government flood control project, was recently awarded to the Savin Construction Corporation through the Pittsburgh office of the United States Engineers, and the performance and payment bonds for the work were arranged through the Aetna's Hartford office.

Situated on the Conemaugh River near Saltsburg, Pennsylvania, 40 miles east of Pittsburgh, the new dam will be 1090 feet long on the crest, have a maximum height of 160 feet, and be 120 feet thick at the base. Construction will be of gravity-type concrete.

Work on the dam will start immediately and the project is scheduled for completion in a little more than three years.

The Savin Construction Corporation has two other dams, also government flood control projects, which are now nearing completion at Union Village, Vermont, and East Sydney, New York.

fore, he knows that he can steal money from it and will not be discovered until the next audit period.

THREE are two important preventive measures which will minimize defalcations by employees: (1) the maintenance of a suitable system of internal control by the employer, and (2) frequent audits by independent certified public accountants. In many businesses, the looseness of the system of internal control is the underlying cause of temptation being placed before employees. Employers would benefit by consulting a certified public accountant regarding their system of internal control. Not only is it important to know that the system is good, but also that it is functioning properly as was intended.

Signing officials should fully realize the importance of their duties. They should make certain that every check presented to them carries with it the proper approval, as provided by the system of internal control. Where personnel is limited, so that a proper system of automatic checks and balances of one employee's work with another cannot be carried out, the certified public accountant will ascertain the degree to which it is necessary to supplement the internal control system by auditing procedures. A few examples will illustrate the point. For instance, all receipts should be deposited in the bank in the form in which received, and not used for making cash disbursements. The bank deposits may be readily checked with corresponding entries in the books, thus providing a con-

trol over the proper accounting for receipts. Another example is to have the person who handles cash, someone other than the one who does the posting to customers' or creditors' accounts. Also, the granting of credits to customers or the write-off of bad debts should never be permitted to be done by an employee entrusted with the handling of cash.

Internal control does not apply only to cash; it is also important with regard to the handling of merchandise. Some type of perpetual inventory system will help detect merchandise shortages, and often will lead to the cause of the shortage.

There have been a number of defalcations recently, involving payments for fictitious bills for merchandise. Proper internal control procedures should prevent this type of defalcation. Some of the preventive measures which may be employed are a good receiving system, an adequate procedure for approving invoices, control of the files of paid bills, better executive control in authorizing bills for payment, and the utilization of cost records. The envelope containing cancelled checks returned by the bank, should not be opened by the bookkeeper issuing checks but should be examined by some executive. Occasionally, it is advisable to turn over the unopened bank statement and cancelled vouchers to the outside auditors.

The importance of the engagement of independent certified public
(Continued on Page 31)

ACCENT ON ATTITUDE

by H. M. SOMMERS

Credit Manager, Trojan Hosiery Mills, Indianapolis

POOR, abused word, *psychology*! Ever since the science of human behavior came of age, and its name became another ology in our general vocabularies, the word has been working overtime. Ever since professional psychologists began writing books addressed to the layman, refueling the always flaming interest we have in ourselves and what makes us tick, and opening to our vision the wide horizons of applied psychology, the word has been flipped off our tongues with increasing glibness. And particularly since specialists in the field of human relations—some of them trained in psychology, others equipped with shrewd observational powers and the capacity to analyze their own talent for dealing successfully with people—since these men have come into print with how-to-do-it books on public relations, labor relations, personnel-work, salesmanship and letter writing, we have still further over-used and misused, kicked about, battered and distorted the word *psychology*.

WE in business are particularly guilty. We talk about "boom psychology" and "depression psychology" when we mean simply optimism, and fear. You hear some business men talk about the "psychological moment" when he means the advantageous moment. Outlining a policy or plan, he may say, "Now here's the psychology of the thing," when he means simply the reasoning

behind it, or how it is expected to work. But far more serious because it reveals an inadequate concept of the real usefulness of this science in business relations is the talk we so commonly hear about "injecting" psychology into business approaches.

As if it were something foreign or different, to be thrown into a sales talk or collection letter that otherwise has nothing to do with psychological considerations! Furthermore, when used in this sense there seems to be a concept that psychology is some sort of verbal formula, a wand-waving set of phrases, a magic sentence or two that can be inserted at a convenient break in the thought; and that the salesman or credit man can give his approach a shot in the arm with a few potent words.

TRUE enough, in human relations there are effective ways of saying things and there are disastrous ways of saying them. Men like Dale Carnegie and Elmer-don't-sell-the-steak-sell-the-sizzle-Wheeler have applied their canny understanding of human behavior to specific practical situations and have given us illuminating examples of fortunate and unfortunate ways of saying things, and the *reasons why*. Those reasons stem back to fundamentals of psychology. But too many people are inclined to confuse the words with the reasons for them. Completely forgetting the reasons, they are prone to call the words "psychology," to regard them as miracle-working formulae, and to

lift them and inject them more or less obviously into letters and approaches.

In opposition to this whole concept, I submit to you the thesis that in good human relations of any kind, including the writing of collection letters, you don't *inject* psychology into your thinking. You think psychology from start to finish; and psychology is not mere words! In my book, *PSYCHOLOGY IN CREDIT LETTERS*, many examples of phraseology are given that embody certain psychological principles, but these were not meant to be used without an understanding of the principle behind them, nor were they meant for insertion, verbatim or otherwise, into a letter that does not throughout reflect from *Dear Sir* to *Yours Truly* an understanding of what motivates human conduct.

We must revise the common concept of the use of psychology in business relations. Psychology is not a set of phrases. It is not a verbal approach. It is not a process, a scheme, a bag of tricks, a sure-fire set of buttering-up expressions. Psychology is the science of human behavior.

It is the incomplete but ever-expanding body of knowledge and theory which investigators have built up so that they and we can better understand human behavior.

IN the sense in which we use the word in our subject we mean the understanding of human behavior,

and, of course, that word understanding is in no sense an absolute term. It means understanding subject to constant revision and expansion because we who are trying to understand are ourselves human beings.

To the extent that we understand we love humanity and to the extent that we keep that understanding and love of humanity before us, we reflect the right *attitude* toward those whose behavior we wish to influence. We should begin with that right attitude long before we ever write a word, and then every word we write will be selected or rejected, much of it unconsciously even, on the basis of its consistency with that attitude; and every conscious persuasive technique will likewise be harmonious with that attitude contributing to a unified whole, instead of being an obvious, easily detected island of so-called persuasion protruding in a sea of indifferent or contradictory material. That is the distinction I wish to draw between the two concepts of the use of psychology in letters, when I emphasize the importance of basic attitude and urge that we think of *expressing* the right psychology *out from* our letters—as opposed to injecting it into them.

The difference is fundamental. It is the difference between weaving a whole piece of cloth and patch-work. It is the difference between organic, consistent, unified growth on the one hand and grafting on the other. It is the difference between working outward *from within* and pulling in something foreign from the outside. It is the difference between sincerity and artificiality.

Expression starts right here in this unit each of us calls "me." You cannot express what you do not feel or have not experienced. You can only express what is within you. It goes out through your letter. It is sincere because it *is* you, and not an idea borrowed and used without its having been absorbed into your thinking. So, to *express* the right psychology in collection letters, we must first achieve the right attitude toward the customer.

NOW, how do we do that? By giving careful thought to our relationship to him, and his to us, and to what we know about the behavior of human beings in their relationships with each other.

What is our relationship to him? He is our customer; we sell him our merchandise at a profit. And his to us? We are his source of supply; he buys our merchandise and resells it at a profit. From a wise and long-range point of view we are equally important to each other, temporary ups and downs of buyers' and sellers' market notwithstanding.

Specifically, our mutual relationship is in the form of a contract. We agree to deliver our merchandise to him at a given date, in exchange for his money at a specified future date. The relationship has potentials. It gives promise of many repetitions of such contracts, overlapping and carrying on into the future, as each one is properly discharged by the contracting parties. Our self-interest dictates that we be careful not only to discharge properly our own part of the contract, but to help the debtor to discharge his, so that the contract can be repeated.

SO much for our mutual relationship. Now let us think about this so-and-so that owes a past due account. — Did I say "so-and-so"? Why, he was an all-right kind of a fellow when we sold him this merchandise. What has happened? Does a man's character change according to whether he is in the market for merchandise or owes a past due bill?

When we investigated his credit, the facts uncovered might have pointed to the possibility of slowness, but we were confident of ultimate payment within an acceptable time, we were sure of his right intentions—or we wouldn't have been so foolish as to okey the order. Again I say, is the customer one kind of man when we accept his credit, and another kind when we write him collection letters? Does he change, or do we?

Are we not inclined to set a past

due debtor apart in a special class, to be dealt with as an unusual species of person, requiring treatment different from our treatment of other people? Are we not inclined to forget that he is just another human being, even as his very human creditor who, if he is not careful, will let himself be annoyed because he has to put forth collection effort, an attitude fatal to dynamic, good-will-building collection letters?

Yes, *but*, somebody objects, the past-due debtor didn't live up to his contract. According to selling terms, he should have paid April 10 and here it is June 10. Then we had better get busy! We are in danger of losing a customer! It is a common occurrence that a long-delinquent debtor projects his chagrin at his own shortcomings upon his creditor, holds *him* in contempt, and takes his business elsewhere. That is largely the creditor's fault. It is up to us to help this debtor-customer keep his self-respect by discharging his obligations to us, so that future contracts, so dependent upon the proper discharge of this one, are assured. In so doing, we cement sound relations based upon *mutual respect*.

THAT brings us to the second factor to be considered in formulating our attitude toward our debtor-customer. First we thought about his relation to us and ours to him, and now we are going to think about what motivates the behavior of human beings in their relationships with each other.

In a sense we could describe practically all human behavior as flight from inferiority.

Now that is a sweeping statement. If you haven't been thinking a great deal about inferiority feelings and their relation to motivating our activity, you won't accept my statement in its full sweep. Good. I don't want you to. Generalizations are suspect. We *should* sniff at them cautiously, examine them in many applications, discriminating and qualifying as we proceed, before we are ready to think about accepting them. I would rather you took the examples I bring you, not as conclusive proof, but as evidence pointing in this direction and then, using these examples as points of departure, embark or continue on your own

The author originally wrote this article in the form of an address which she delivered before the Floor Coverings and Furniture Group at the 53rd Annual Credit Congress in Atlantic City, N. J.

LOS ANGELES INVITES YOU!

54th Annual Credit Congress

May 14 - 18, 1950

very adventurous journey into this fascinating field of thought, analyzing what makes people do the things they do, thinking further and further back to primary motives, testing this theory of which I have become thoroughly convinced—that almost all human activity is motivated by the desire to escape inferiority.

FLIGHT from inferiority, sometimes into socially constructive activity and sometimes into destructive, negative activity, takes its direction according to our private interpretation or evaluation of what will do the trick—that is, what will help us to escape or avoid inferiority.

On the constructive side, any achievement or desire for achievement is motivated by it. In these channels we call it self-fulfillment. It builds bridges, makes men dream and construct sky-scrappers, sends scientists into laboratories to submerge themselves in patient, yes, even in unnoticed, unspectacular research to reduce the unknown by even the tiniest apprehension of truth. It embarks people upon careers of humanitarian service. The doctor, the teacher, the nurse, the sociologist, all follow their careers because direct service to others is their way of satisfying this inner urge, this constant movement to prove our own worth to ourselves.

The flight from inferiority builds far-flung industries. It sets up the corner grocery store. It makes some people strive for millions, and others take pride in the restrained simplicity of their living standards. It makes men dissatisfied with their jobs, and sends them to night schools to prepare themselves for others. It takes you and me to credit congresses.

It may motivate a writer of talent to grind out a sex-appeal best-seller of 3d rate literary quality, while his artist friend struggles along unrecognized but happy, painting the best pictures he knows how. Each is

behaving in a way to escape inferiority. The difference is in the means each of them selects according to his own private evaluations. The writer thinks fame and money will help him escape inferiority. The artist believes that he can achieve superiority by remaining true to himself and the best he knows.

IT is this flight from inferiority that spurred Richard Wagner, a man of small physical stature, to write music dramas of colossal scope and grandeur. The same motive led Napoleon first to envisage himself in the role of liberator of oppressed peoples and then swing over to that of world conqueror crowned Emperor. It inspired Adolf Hitler's megalomania. It was the flight from inferiority that made almost the whole of the German people so gullible to the false theory of Nordic superiority. And it was a nobler flight that led those few who disented to exemplify their interpretation of superior behavior by remaining true to their own ideals, even at the expense of their own lives.

It is what makes 10-year old Johnny steal. Maybe he wants to impress his playmates with gifts he buys them; or maybe he knows that if he gets caught, it will startle and horrify his parents and therefore center their attentions and preoccupations upon him; because either justifiably or through a whole set of misconceptions, Johnny feels that his parents neglect him, or prefer one of his sisters or brothers to him. Fleeing a very deep sense of inferiority, the criminal fights the whole of society and tries to achieve a sense of superiority by defying and outwitting the law. People even take their own lives in the twisted and pathetic concept that suicide will at last bring them superiority. "Nobody understood," they say, "I have been persecuted, I have been abused, the cards were stacked against me. Now they will see what I have been

driven to. They'll give me credit now."

It makes people buy furniture—and hosiery. It makes them buy the kind other people are buying. It's what makes you and me wear the kind of clothes we are wearing. Some of us pooh-pooh fashion, and pride ourselves that we are not slaves to it (a way of thinking that is in itself an attempt to assert our superiority over the poor foolish souls who are!). But we make such a claim only because we allow ourselves this much latitude of conformance () instead of this much (). Let's not fool ourselves; we all conform; I don't see any man here wearing a bright red suit, or a 24-hour stubble of beard! maybe some of you like red as a color, and if you were a Canadian Mountie you might enjoy wearing it. And surely all of you must consider shaving a nuisance. But you dress and groom yourself as you are expected to. Wisely you adhere to accepted standards. We all do. Why? Because social disapproval makes us squirm. Because we depend so heavily upon the good opinion of our fellows to assure ourselves of our own worth.

WELL, we could go on enumerating examples for the rest of the day, and for the duration of this credit congress, and still have an undiminished field of exploration before us, because like life itself it is a thing of the present, happening anew every instant in you, in me, in all of us.

But why, why this fear of inferiority that everyone of us is heir to? This dynamo that drives our activity, what is it? Where does it come from?

What is it? It seems to be an unconscious urge constantly to prove our own worth, to be sure that we are the equals of our fellows. Afraid that we are not, we are constantly trying to prove that we are. So that when we become conscious of real or imagined shortcomings in one direction, we compensate, sometimes overcompensate, in another. We want our fellows to think well of us—that is, to consider us their equal. But that is because we want to think well of ourselves. *We must have our self-esteem.*

TO bring home to you more directly what I am talking about, just try to imagine yourself in a

mental state in which you consider yourself absolutely worthless. It is like trying to imagine yourself into nothingness. You can't do it. From the highest social stratum to the lowest we cling desperately to our sense of worth. Even the bum sprawled in a dirty Bowery flophouse hugs the tattered shreds of his self-esteem about him when he assures himself that he could have been anything he wanted to be if he had just had a few breaks.

To be sure, we can see our shortcomings. We have our moments when we face them honestly. They are not comfortable, are they? We can't stand them for long. Did you ever stop to think the reason why words like defeat, chagrin, humiliation, disgrace, remorse, are such powerful words in our language? It's because they have attached to them the anguishing emotion we suffer when we lose—what? All of our self-esteem? No! Just part of it! And how long do we endure the terrific pressure of that loss? The anguish may last for hours, days, or weeks at most, and that long only because we are slow to find the solution; but the struggle to find it, to regain our ego-equilibrium, to think and act our way back to restored self-esteem, begins seconds after the blow falls.

BUT where does this drive to protect our self-esteem come from? Why do we need so much and such constant assurance of our own worth? Why do we unconsciously measure ourselves against others? Is it because we live in a competitive society? On the contrary, isn't it more likely that our competitive society is itself just another manifestation of this struggle to escape inferiority?

No, I think we must look for our explanation in deeper roots than the current complexion of our society. Dr. Alfred Adler who formulated the inferiority-superiority theory suggests that because we are born helpless infants in a world which is already in control of our obvious superiors, adults, we begin from the very dawn of consciousness to make negative comparisons of ourselves with others. We do know that it is the impressions of very early childhood that mold us. But that still doesn't explain why we do anything about these negative comparisons,

why we don't just accept our inferiority, instead of rising as we do to strike it down.

Isn't this urge the basic instinct of self-preservation or survival overflowing the confines of its purely physical and sexual aspects into our relationships with each other in a social world? It is the struggle for security projected into human relationships.

All this by way of envisioning the power, as well as the hair-trigger sensitivity of this dynamo that I was about to say is at our disposal in dealing with our debtor-customer; but it is far more accurate to say "this dynamo that challenges us in our dealings with the customer." For we cannot escape encountering it. It is simply a question of how we deal with it. Whether we direct its energy into payment channels or into an explosion depends upon how we touch the trigger: Save the debtor's self-esteem and he cooperates. Injure it and he blows up.

SO we get back to our attitude. Up to this point we may summarize it as follows: The customer is necessary to us. We are necessary to him. It is a relationship we wish to perpetuate. We do it by helping him to affirm his self-esteem.

We will approach him, conscious of the essential equality of all human beings; and we will assume in him all the characteristics of common decency that society expects of a man, including courtesy, fairness, a sense of responsibility toward his obligations, unquestioned integrity. For just as we try to conform to what society expects of us on the superficial levels of dress and appearance, so we do on the level of ethics.

OH, but won't a certain kind of person take unfair advantage of an attitude like that? *Not if you let him know that you have the same respect for yourself that you have for him.*

In fact, this last point rounds out the formulation of our attitude, which we can now state as a single sentence, and apply it not only to collections but to all phases of human relations: *We work best with our fellows when we maintain a state of balance between our respect for his dignity as a human being,*

and our respect for our own human dignity.

Now with that attitude as our starting point, we will automatically throw out a good many so-called approaches that we frequently find in collection letters.

First is that very frazzled one about having "overlooked" the account. Remember our customer has a sense of responsibility toward his debts. He has them in mind. If you were a merchant struggling to meet your bills, maybe losing some sleep over them, how would it affect you to get a letter saying "no doubt you had overlooked this bill?" On the other hand, if you were careful or careless about your obligations, wouldn't you respond more positively to an appeal that said in effect, "We know you haven't overlooked this account, because you are too careful about your obligations to neglect them"?

That "overlooked" approach fools nobody. At best, the debtor can only give you credit for *trying* to be polite. If he took it seriously, he ought to get mad, for what the letter really says is "We are afraid you are touchy and hard to approach about your just obligations, and so we are afraid to be forthright. Instead we invent a little hokum."

UNDER the same heading come all those letters that begin with a so-called funny story. Letters like that don't give the debtor credit for the right attitude about his debts. He might take offense (the reasoning goes) at a direct approach, so we will sneak up on him with a joke (usually a poor one). Comedy is a fine art. There is nothing that falls quite so flat as an unfunny story. But suppose in rare instances we do succeed in telling our story with a real punch, so that the debtor enjoys a hearty laugh. Then what? "Oh, by the way, you owe us a past due bill."? Even if we don't use those words, we can't escape a by-the-way effect. We have subordinated our account to a funny story. The debtor takes his cue from our attitude. If we treat the account lightly, how can we expect him to be serious about it?

Then there is the apologetic approach, which again does not give the debtor credit for having the right

(Continued on Page 28)

What Do We Know About BUSINESS CYCLES?

by RAYMOND V. McNALLY
C. A. Auffmordt & Co., New York

IN HIS interesting article—"Business Cycles"—appearing in the March issue, Harry L. Krebs suggests that in order to perform efficiently his role of "economist, historian and prophet" so as to "foresee the unforeseen," the credit man must concern himself with the cyclical movements of business activity. Mr. Krebs seems to recognize the complexity of the problem, for he states that numerous reasons have been advanced by economists and others to account for business cycles and discusses several theories which he believes are worthy of particular attention.

But stripped right down to its bare essentials, his thesis is revealed chiefly as a plug for the theory that the basic cause of booms and depressions is the expansion and contraction of credit and money. Thus he is confident that credit men are in a position to bring about "a more even flow of the cyclical movements of business," for he asserts that "we, in the credit and financial field, are the brakes on the economic machine." Yet despite his emphasis on the monetary theory, he insists that, in order to exercise this power properly, credit men must consider *all* theories and carefully analyze *all* facts.

BUT consider for a moment how impossible such a task is. Throughout the nineteenth century, interest in economic crises centered chiefly in the search for, and analysis of, the alleged causes, and with the turn of the century, this brand

of economics increased in intensity and subtlety. As a result, mountains of literature have been written, most authors stressing fluctuations in money demand as the principal cause of business oscillations, and so depressions are variously attributed to overproduction, underconsumption, over-investment, under-investment, excessive savings, deficient savings, high interest rates, low interest rates, etc.

The conscientious student who persists in his effort to follow all of this theorizing to its bitter end finds himself going around and around in circles in the frantic chase after cause and effect, his mind awhirl and its ability to function at all finally reduced to nullity. But the controversy rages on, utterly indifferent to the plight of its victim, with affirmations and reaffirmations, replies and counter-replies, and with the answer to the question of what is cause and what is effect still remaining a mystery. Is it any wonder that economists and businessmen have been so confused about the postwar period? And yet Mr. Krebs would sacrifice credit men to this kind of non-constructive thinking! Surely if economists, who are specially trained in this subject, cannot agree on causes, how can credit men be expected to wade through such a mass of conflicting opinions in order to isolate the true factors?

MOREOVER, economists as far back as the sixteenth century concerned themselves with seeking and analyzing the causes of depres-

sions, and governments during all that time have tried every conceivable device to bring about a more balanced economy but have always failed. And they have failed because, like Mr. Krebs, they assumed that the business cycle could be *controlled*. But business cycles have plagued the human race at least as far back in history as data is available; in the case of price movements, to the thirteenth century; in the case of production fluctuations, to 1830; and in the case of common stock prices, to 1860.

Economic life, like everything else in the universe, is subject to the law of vibrations, and so the business cycle, ignoring man's puny efforts, has continued relentlessly with amazing regularity to carve out its pattern in history. Thus it is nothing short of arrogance and superstition, akin to the attempts of savage tribes to influence the weather by strange rites and incantations, for man to assume that he can isolate causes and control this fundamental law.

AT THE same time, this does not mean that we must adopt a passive attitude. There is much work to be done; but it must follow an entirely different line of thinking. Work along scientific lines was first started in 1819 by Sismondi, the famous Swiss economist, and in 1878, Jevons, the English economist, made an important contribution to the study of cycles.

However, on the whole, such efforts were sporadic, and it was not until three or four decades ago that

a consistent and concerted attempt was begun to compile vast quantities of varied material for the purpose of disclosing *rhythms* in economic activities with a view to possible *prediction* rather than the recommendation of remedies based on untested hypotheses.

In adopting this approach, economists are simply following in the footsteps of the natural scientists, who had long ago abandoned the search for the *reason why* and started concentrating on learning *how* the phenomenal world behaves. In fact, it seems significant that physics took a big leap forward when it ceased to regard the electron as a particle susceptible of measurement in three dimensions and substituted in its place the "quantum theory" or what is mathematically described as a *wave* system. And it was Eddington who said: "Hitherto whenever we have thought we have detected causal marks in natural phenomena, they have always proved spurious, the apparent determinism having come about in another way."

Therefore, credit men might find it much more profitable to consider this new and more scientific phase of economics by studying the various economic rhythms established by history and trying to conform their own actions and decisions to the inevitable pattern.

The cycle peculiar to the United States which appears in more than half of the time series analyzed by economic statisticians is the rhythm that averages out to $3\frac{1}{2}$ years, measuring from peak to peak or from trough to trough, and shows up principally in production data and security prices. Since 1830 there have been some 30 odd of these cycles, the expansion phases running somewhat longer than the contraction phases, and, by noting the turning points as they occurred and recurred, we can gain a fairly good idea of what to expect in the future.

THAT occasionally the tops and bottoms do not occur according to the established pattern appears to be due largely to two things: 1. Interference by other economic cycles. 2. Accidental or random factors, such as wars, political changes, strikes, floods, tornadoes and technological innovations, which tend to distort the cycles by disturbing their timing and intensity.

The first difficulty may be overcome to a great extent by sufficient knowledge of the other cycles, but it is the second class of disturbing influences that makes forecasting so difficult, for economists have not yet been able to establish their pattern, although there are some grounds for expecting that some day even this will be better known. At present there is some difference of opinion among statisticians as to whether such influences can be adjusted by a smoothing process, as is done in the case of seasonal factors and secular trends, but it is possible to eliminate short-run oscillations or at least to diminish their effect on the amplitudes of cycles by using three-month averages directed at the peaks and troughs.

NEVERTHELESS, the $3\frac{1}{2}$ -year rhythm in industrial production did not reach its high until October, 1948, although according to the Federal Reserve Index (the most reliable production index that we have), it should have reached its peak in April, 1947. Apparently enormous pent-up consumer needs and accumulated funds resulting from wartime deficit-financing exerted too strong an upward pressure and prolonged the rise. Furthermore, the $3\frac{1}{2}$ -year and 18-year cycles in pig iron production, which is closely associated with the steel and building industries, were scheduled respectively for peaks in July, 1947, and the end of 1948, and doubtless helped to prolong the rise.

During the past few months, the $3\frac{1}{2}$ -year production rhythm has been wallowing in its trough, and thus some people say we are in a "recession." However, if it continues to work out on schedule, as it usually does despite occasional distortions, the next peak should arrive in the fall of 1950, and this means that the current slump cannot be of long duration. In fact, unemployment has been leveling off, and steel and automobiles are operating at a high rate.

MANIFESTING itself also in common stock prices, the $3\frac{1}{2}$ -year rhythm should have reached a top around February, 1947, but we know that the stock market crashed in September, 1946. This might appear to be poor timing if it were not known that, in addition to this short

wave, there is a 9-year cycle that works through stock prices, which was due to reach its peak in the middle of 1946 and then turn downward, the previous two highs having come in 1937 and 1929.

Those people who were aware of this cycle were not influenced by the theorists who had insisted that stock prices were not too high in 1946, based on earnings. Moreover, this long wave is due to reach its trough in 1951, and because of its greater potency, may be pressing down on the $3\frac{1}{2}$ -year cycle, which is now trying to move ahead to its next peak around September, 1950.

This may account for its slow progress despite high earnings and dividends, although financial writers are ascribing the lethargic performance of the market to everything else under the sun, from fear of the Truman program to filled-up pipelines and the tense international situation. But it should be obvious from the historical record that the stock market does not always act in a logical manner. For example, stock prices should logically have dipped in 1944 when rumors of peace warned investors and traders that industry would be hampered by serious reconversion problems, but, instead, they boomed ahead for a spectacular rise in 1945.

COMMON stock prices are a very sensitive index and usually lead general business activity by 3 to 7 months (but not invariably), and it is interesting to note that the current business slump followed the stock market low of 1948. However, as Mr. Krebs so wisely cautions, to rely solely on the stock market index in order to anticipate economic storms would be a serious mistake, for psychology plays a big part in stock prices.

These prices reflect mental attitudes which may or may not have anything to do with realities. In fact, the stock market rhythm may be said to flow in the human organism as a result of human response to all kinds of exterior influences. For example, solar activity seems to affect people not only physically but also mentally, and Ellsworth Huntington finds a 41-month rhythm in the variation of atmospheric electricity corresponding to the $3\frac{1}{2}$ -year business cycle and suggests that electrical radiation affects men's nerves. H. T. Stetson

of the Massachusetts Institute of Technology believes that "variations in the quantity and quality of sunshine may be associated with moods of optimism and pessimism, and that buying and selling waves with corresponding fluctuations in commodity and stock prices reflect the confidence or anxiety of the buying public." Further, Edgar Lawrence Smith brings out the fact that, from 1881 to 1937, all declines of 20 per cent or more in stock prices have occurred in years having rainfall at New York of more than 45.12 inches or less than 35.60 inches.

IF WE had depended on logic alone, we would have expected stock prices to exceed the high of 1929 before the break came in 1946, despite high marginal requirements, because of the huge funds available for investment and the tremendous increase in industrial capacity. At the same time, despite its vagaries, the stock market may be a valuable indicator if taken in conjunction with other indexes. For instance, the 9-year wave appears not only in stock prices but also in wholesale prices, sufficient data for which runs back in this country to 1790.

Credit men have been most anxious about the trend of prices, as any sharp decline might have meant severe losses. If we examine the index of the U. S. Bureau of Labor Statistics which, incidentally, is the best for wholesale prices, we find that a peak was reached in 1919-1920 followed by one in 1928 and another in 1937. According to the ideal pattern, the next peak should have occurred in 1946 or 1947; but, due undoubtedly to the terrific impact of the war, prices continued to climb until July, 1948, when they hit an all-time high. It will be interesting to see whether this rhythm snaps back into position and reaches its trough in 1951, or whether the distortion caused by war and strikes will delay it until 1953.

IN VIEW of these events, credit men were certainly justified in adopting a cautious attitude during 1948 and watching the inventory situation and break-even points. Moreover, those who were checking the soft goods industries had particular need for caution, since textile production has a rhythm of its own which averages out to 23 months

Los Angeles in 1950 !

from peak to peak and was due to turn down at the end of 1946. Some lines, particularly cheap woolens, slumped badly, but most textiles were kept going by the stronger general production cycle through most of 1947.

But textile producers apparently ignored this rhythm, for many of them continued to build up inventories and to expand operations as though prosperity would continue forever, so that when the turn came they were caught unprepared. As a result, credit men were beseeched for extra time, and banks and factors were bombarded by requests for loans on frozen stocks. The rayon industry, which had been enjoying an unprecedented boom for several years, is a particularly classic example of this failure to keep an eye on the textile cycle and also on its own rhythms. However, the expansion phase of this cycle is now due again, and it is significant that textiles, particularly cotton, showed some increase in January.

Of course, practically all industries are subject to their own rhythms, although many of these cycles have not as yet been completely worked out, and rhythms can also be found in the operations of individual business organizations. In fact, some business executives have found it profitable to lay their plans in accordance with the rhythms peculiar to their own enterprises, for they have had more confidence in obeying natural laws than in depending on mere opinions and hunches.

But while caution on the part of credit men was required during the postwar period, there was little justification for pessimism, since the price and production cycles did not tell the whole story. The real estate cycles had other plans, and these did not indicate that any slump was in the offing. Building construction alone, clearly moving in long waves that reach enormous amplitudes and paralleling cycles in other real estate activities, provides employment for 7 to 10 million workers directly or

indirectly in over 60 industries. Therefore, it cannot fail to exert a powerful influence on production and the flow of the national income, and on the whole financial and credit system.

THAT economists and business men have not paid more attention to this cycle until recent years may be attributed to its peculiar characteristics and to the paucity of data prior to 1914. In the first place, there have been only 6 long building cycles in the United States in the period of 1850-1942 compared with over 30 business cycles, the average duration running to about 18 years. In the second place, unlike the business cycles, the prosperity phases appear to be shorter than the depression phases.

On the other hand, major panics are almost invariably heralded by the turning points in the building rhythm 2 to 4 years in advance. For example, the building peak of 1871 was followed by the crisis of 1873, that of 1890 by the depression of 1893, and the peak of 1925 by the panic of 1929. During the 1920's, the theorists were so busy advocating manipulation of the rediscount rate in order to hold the economy on an even keel, and the central banking authorities seemed to be concentrating so hard on the index numbers of commodity prices and business conditions, that little note was taken of the fact that the real estate cycles had started turning down in 1925. Thus, most people were badly shocked when the crack-up came.

OF COURSE, part of the current postwar confusion and pessimism could have been due to the fact that the 18-year building wave was in its contraction phase, since the last peak came in 1942 (a year earlier than schedule) and was due to reach its trough in 1953. But while the volume of new construction dropped sharply to \$4 billion in 1944 from the all-time high of \$13.3 billion in 1942, it started to rise again in 1945 and jumped to \$10 billion in 1946.

This spurt was largely due to the sharp expansion in residential building, with commercial and industrial construction, however, running a very close second, and should have

(Continued on Page 30)

The current economic picture

—as it affects Credit

by DR. H. E. LUEDICKE
Executive Editor, *Journal of Commerce*, New York

BUSINESS opinion today is sharply divided into three different camps. There is extreme pessimism in one camp and an amazing degree of optimism on the opposite side. In the middle, we have a large sector of business men and economists who are willing to say only that the situation today is in such a precarious balance that the pendulum can easily swing in either direction.

They usually add that either the next six months or the next year will bring the answer to the question of whether or not our economy can pass from the postwar inflationary boom into a period of sustained high level activity at a lower price level without an intervening recession of considerable depth.

Each of these opinions boasts important spokesmen whose names command respect. Yet, obviously they cannot all be right. The same economic statistics are available to all. Very little basic economic information today is of a confidential nature. Then, how can expert opinion be so divided?

THE obvious explanation is that these different experts attach different weight and significance to individual factors in the present-day picture; often overemphasizing one special aspect of the situation to the point where it is pushed out of its proper perspective. That, almost inevitably, leads to too much optimism or too much pessimism.

Some observers are overstressing the physical aspect of production. They are bound to end up too pessimistic—particularly because they are likely to under-estimate the factor of continued improvement in productivity.

Others are convinced that all we have to do, in order to keep the boom going indefinitely, is to hold purchasing power at or near its recent peak level. They are followers of the so-called purchasing power policy; and they are convinced that this goal can be reached by a policy of higher wages, lower prices and lower profits—reinforced by a permanent high level of Government expenditures, especially public works and larger social security disbursements . . . and public works and larger social security disbursements . . . and public works and larger social disbursements.

There is, of course, no doubt that a high level of purchasing power is synonymous with good business. But merely passing out dollars is hardly a sound method of holding the purchasing power up.

IT is true that in the final analysis consumption and production must balance out if serious economic distortions are to be avoided. But trying to decide which of them comes first, belongs strictly in the same category as the perennial puzzler of which came first: the chicken or the egg.

The two of them must be ap-

praised together if you want a balanced judgment.

For a long time now, we have been told that there is no danger ahead because purchasing power is extremely high. That, however, is very much like putting the cart before the horse. It is an argument that gets cause and effect mixed up. Purchasing power is high *because* the production of goods and services is high. When production slips, purchasing power slips right with it—as indeed it has done since last December.

Why, then, has production been dropping since last October-November? Obviously because demand for most products declined, and is still declining, and obviously because more and more manufacturers are coming to the conclusion that, at this stage of the game, there is little chance for stemming the drop in sales through price reductions alone. Obviously, distortions between supply and demand developed so fast since late last year that one manufacturer after the other, one industry after the other, are now deciding to cut back production.

LOOK at it this way: The physical volume of production, measured by the Federal Reserve Board index, reached a postwar peak of 195 per cent of its 1935-1939 average last October-November. That meant that physical production then was nearly twice as large as before the war.

Obviously the country has not grown fast enough to absorb that much more production. The population is now some 11 or 12 per cent larger than prewar and the number of new families jumped sharply during the war. The rate is back to nearly prewar now. There has been a sharp increase in the standard of living, particularly in those areas which once were the typical backward areas in the country. In addition, we are now engaged in a tremendous defense and foreign aid program, accounting roughly for about 10 per cent of our total production volume today.

Take all these growth factors, add them together, and allow a large margin for errors of understatement—and it is still difficult to account for more than perhaps a 50 or 60 per cent increase in real, not merely dollar, purchasing power over prewar.

The rest of the postwar boom was the direct result of extraordinary and, unfortunately largely self-defeating, factors. When the war ended a tremendous deferred demand existed. Consumers were starved for durable and non-durable consumer goods. Their closet shelves were empty; their electrical appliances out of order; and of course, everybody wanted a new car. Distribution pipelines, from the wholesaler and jobber down to the retailer, were empty. Manufacturers' inventories were down to bare minimum working stocks. On top of this deferred demand, last year's announcement of our rearmament program started another fear-inspired forward buying rush for the purpose of building up larger inventories.

But even that was not all. Foreign nations were feverishly trying to lay their hands on American goods of any kind. Our export surplus soared.

And American industrialists, trying to boost their individual share of the postwar boom, rushed in with bigger and better expansion programs which boosted the postwar rate of private capital expenditures way above what could be considered a normal rate of expansion and plant modernization.

There lies the answer why production last year was driven to nearly twice its prewar level.

OBVIOUSLY, a relapse had to come. Consumer shelves are filled. Pipelines are full. Manufacturers are buying on a hand-to-mouth basis—and in many cases not even that much because they are once more trying to reduce their inventories. The bloom is off the deferred replacement buying boom. We are struggling back to a straight replacement basis—and we don't like it.

As usual, non-durable industries felt the drop in demand first. Some of them started to slip as long ago as last summer. By fall, they were in almost uniform retreat.

Durable goods industries—accounting for about 40 per cent of total production, as against 60 per cent for the non-durables—kept up full blast longer because of the postwar demand for automobiles and the unprecedented size of postwar

order backlogs for producers goods of all descriptions—from heavy generating equipment to builders' hardware.

There are now definite signs, however, that this picture is also changing. The demand for steel, by far the most significant barometer of the heavy industries, is easing and steel production has already been reduced slightly. Automobile makers are expecting selling trouble as soon as the summer is over. New orders for durable producer goods are lagging and backlogs are rapidly disappearing.

DOWNWARD readjustments in the durable goods industries, in the past, never have proceeded at a slow pace for long. Once they start to slide, they usually get going downhill fast. That applies particularly to steel. A 25 to 30 per cent drop in the use of steel capacity within a period of three or four months is by no means something unusual. Some people are expecting such a drop before the end of the current year; maybe as early as in the third quarter.

It could happen that way . . . despite the cushion of defense and foreign demand for steel and heavy machinery.

Private plant expansion and modernization still is rolling along at a fast clip. A large number of expansion programs were blueprinted during the war for immediate postwar execution. Enough of these projects are still uncompleted to prevent a sharp drop in private capital expenditures for another six months. After their completion, the big problem will be whether or not new programs will be launched to take the place of the completed ones. That still is the \$64 question today. Our guess is that a pause in the postwar expansion drive is likely, not only because of present tax uncertainties, but also to give industry time to adjust its facilities to the present market demand—before it starts to project future needs. Such periods of hesitation are the only sound way to avoid serious overexpansion in individual fields.

That is why, if left alone, heavy goods industries could easily drop 30 to 40 per cent below their postwar peaks within the year. There is little chance, however, that the Administration will let things get that

far without throwing its resources into the breach.

SOME observers anticipate that the impending decline in the durable industries may be offset by a recovery in some of the important non-durable industries which are already well along with adjustments in prices and production.

I find such a pattern difficult to visualize. It is true enough that non-durable goods, and in many instances production, as well, have been cut to well below the present level of consumer demand, but I am still afraid that a real decline in durable goods production will cause a secondary wave of downward adjustments in most non-durables because it would be accompanied by more unemployment and enough general uncertainty on the part of buyers to curtail purchases further.

This eventually is what the Government is now closely watching.

At present, the Administration believes that the economic outlook does not yet warrant the start of a large-scale anti-deflation program. Members of the President's Council of Economic Advisers—for once apparently unanimous—are now working on a blueprint for action in case the business decline threatens to deepen. But they don't think that they will have to swing into action this year.

I have repeatedly tried to nail some members and officials of the Council down to say which point in the Federal Reserve Board production index or which level of unemployment they would consider as danger points, or as signals for the launching of a concentrated anti-deflation program. For obvious reasons, they don't like to be tied down to any specific point.

But it is my hunch that the Administration will swing into action—with heavy guns—if and when industrial production gets close to the 160 level in the Federal Reserve index, or unemployment gets close to the 5,000,000 mark.

AT the moment—that is mid-May—the Federal Reserve index is probably nearing 175. It was 184 for March, and 179 for April. But there have been further declines since then. Currently, therefore, the index is nearly 20



How much do you pay for the Burroughs machines you DON'T have?

Probably a lot more than you think . . . certainly more than you would pay for the machines your office needs.

Are you doing without modern figuring machines? Pencilwork is a plodding, inaccurate, and expensive substitute. Are you doing without *enough* machines? Every girl made to wait her turn at a shared machine is actually invited to squander costly time, even if figuring is only a fraction of her job.

Compare the cost of these inefficiencies with the three or four cents a day it takes to amortize the cost of a Burroughs adding machine or Burroughs calculator over its long useful lifetime.

There's hard-headed economy in having enough Burroughs machines. Let your Burroughs representative help you save time and money with the right Burroughs machines for all your figuring jobs. Burroughs Adding Machine Company, Detroit 32, Michigan.

WHEREVER THERE'S BUSINESS THERE'S

Burroughs
THE MARK OF SUPERIORITY
IN MODERN BUSINESS MACHINES

points, or roughly 10 per cent below its peak.

That is already a good-sized drop. But even if there are no major strikes in the steel, coal or automobile industries this summer, it is quite possible that the index will slip below 170 at the peak of the summer slump in July or August.

If that happens, much will depend on whether or not a satisfactory rebound occurs after Labor Day. If the snap-back fails to reach its normal seasonal strength, the adjusted Federal Reserve Board could conceivably slip back to near the 160 mark by the end of the year.

I don't know whether the economists—who are now speaking about a healthy disinflation—would consider a 17 per cent drop from 195 to 160 a "deep" recession or not. In our book, this would have to be called a full-grown recession.

That leads, of course, directly to the second question: if there is a drop to such a level, how long would such a recession last; how "protracted" would it be?

THREE are three methods which can be used in order to stimulate purchasing power:

- (1) A cut in prices, resulting from higher productivity of labor and management;
- (2) A cut in profits and their distribution in the direct form of wages; and
- (3) Higher Government expenditures.

Of these, the first one—higher productivity—is the soundest but it is slow-working medicine rather than a miracle drug.

A cut in profits would be highly deceiving because, while wages might be boosted a little for awhile, this method would result in further cutbacks of private capital expenditures because a very large share of these is now financed through earnings.

That leaves it strictly up to Government spending.

It is difficult to estimate in exact figures how much the national product may drop because the inventory boom is over and the frantic phase of the private capital expenditures boom is wearing off. But it is conservative to estimate that these two factors, during the last few years, have accounted for at least \$20 billions annually—or just about as

much as our combined defense and foreign aid spending.

Yet, if the Government would like to keep the national product at or near the postwar peak level of roughly \$250 billions, it probably would not be enough to merely add another \$20 billions to Government expenditures because there is a strong probability that, in case such a Government program is executed, more private dollars would become alarmed and discouraged and end up in hiding instead of in investments.

WOULD the Government be willing to throw all its resources into such a fight—and if so, what are the chances for success? During the early 30's, a similar policy failed. But conditions are quite different today and we have learned a lot since, particularly during the war. It seems rather outdated today to be too skeptical as to what the Government can accomplish—if it sets out in earnest to do something.

A year ago, many observers thought the Government would not be able to support the price of its bonds. Today—the problem is to hold bond prices down rather than up. Time and again it has been predicted that farm prices would break right through their support levels. Yet they are still up there, even though the support floors have "buckled" from time to time.

An all-out anti-deflation policy, I feel quite sure, could do the trick of turning the tide—but it would really have to be "all-out," and not "too little, too late," as in the early 30's.

This, of course, would mean the return to an inflationary policy and it would further postpone the time when we can hope to get into a period of sustained but gradual growth—based on further gains in the standard of living and powered by progressive price reductions as the result of gains in productivity.

HIGHER productivity holds the key to our long-range economic future. Much can be accomplished in this field quickly—but any real and lasting progress will come slowly.

There is the story about the Southern textile mill which found itself confronted with a serious cost

problem. It was either get costs down or go out of business. So the management tried a little psychological warfare. It posted on the Bulletin Board a formula describing the regulations on how to obtain unemployment insurance. The result was miraculous: a 20 per cent increase in labor efficiency; almost overnight.

BUT don't be lured into a false sense of security: improved labor efficiency alone will not close the present gaps between potential capacity and potential demand fast enough to avoid the need for further, at least temporary, cutbacks in production. This will accentuate the problem of the marginal producer who will be squeezed out unless he can do something very drastic about his labor costs.

The fate of these marginal producers will present you with your most difficult problems for some time to come. To what point will they remain good credit risks? Your decisions may frequently spell the difference between life and death of such businesses. That means that, in addition to looking at a company's cost figures and viewing its record against the general economic background, you must also know something about its labor relations and the temper of its employees.

It is almost inevitable that there will be a greater rate of mortality among businesses—unless labor learns its postwar lesson fast and the Administration is not panicked into immediately rushing into a new super-duper inflationistic policy with deficit financing, public works from road building to leaf raking; more lavish distribution of social benefits, more defense and foreign aid outlays, price props and stockpiling and what have you.

The purpose of any increase in Government spending is, of course, to bolster purchasing power—and make people use their money to buy.

AT the moment we have not only an international cold war on our hands; but a domestic one as well. That is the cold war between sellers and buyers on prices.

The public—very similar to the industrial purchaser—is holding out for lower prices. Consumers must be coaxed into the stores and the

baits used are bargain prices for special promotions.

Retail sales—in dollar volume—this year to date have been running only approximately 5 per cent below the last year. The figure for department stores is even slightly more favorable than that.

That is a surprising result because it means that the physical volume of retail sales thus far hasn't dropped at all—at least overall. A great number of individual retail fields, as we all know, have been hard hit already.

Yet retail sales figures, at this stage of the business cycle, are apt to be rather misleading. Buying momentum, in the past, has frequently carried several months past the peak of the boom. This is easily explained because, at the first signs of real trouble, retailers will try to cut down their inventories even if this means considerable sacrifices on price. The public is usually quick in realizing its improved bargaining position and will be induced to buy only if price reductions are substantial.

Such price cutting can, of course, not be continued ad infinitum. There comes a time when such lower prices must be integrated into the manufacturers' cost structure or else. That is why real trouble lurks ahead because thus far not much has been accomplished in the field of manufacturers' cost reductions.

There is little doubt that, barring an early start of a new and potent anti-deflation program by the Government, retail sales will continue to lose ground. It would be surprising if the 1949 annual total would not be more than 10 per cent below last year. It is easy enough to lead a horse to water but you can't make him drink.

Further declines in production and sales will be accompanied by further losses in commodity prices. Recession and price deflation usually feed upon each other. It is probable that we will ultimately enter into another period of sustained industrial growth with a receding commodity price trend. We had such a period during the early and middle 20's. But a repetition of such a pattern is not likely in the near future.

THUS far the retreat in wholesale prices has been quite orderly and moderate. Since its postwar peak



Which would you rather lose— property dollars or income dollars?

If disaster shuts down your place of business, you will suffer an income and a property loss. You need protection against both!

Property insurance alone won't protect you against loss of income, but Hartford's Business Interruption Insurance can do just that. If fire, storm, or other hazards insured against, force you to suspend business, Business Interruption Insurance can protect you against loss of anticipated earnings.

Business Interruption Insurance can give you just what your business itself would have given you if no interruption had occurred.

Here, briefly, is how Business Interruption Insurance protects you:

BUSINESS BALANCE SHEET FOR ONE MONTH

Before Fire

Sales	\$30,000
Cost of Merchandise	18,000
Gross Profits	\$12,000
Expenses	10,000
Net Profit	\$ 2,000

After Fire—WITHOUT Business Interruption Insurance

Sales	None
Cost of Merchandise	None
Gross Profit	None
Expenses continuing during shutdown	\$ 7,000
Net Loss	\$ 7,000
Add. Anticipated Profit Prevented	2,000
Total Loss	\$ 9,000

After Fire—WITH Business Interruption Insurance

Sales	None
Cost of Merchandise	None
Gross Profit	None
Income from Business Interruption Insurance	\$ 9,000
Expenses which continue	7,000
Net Profit	\$ 2,000

(Same as was anticipated had no interruption occurred)

Hartford's Business Interruption Insurance is adaptable to almost any business enterprise; stores, factories, garages, theatres, hotels, etc.

The Hartford have prepared work sheets to help determine how great a loss you might suffer and how much insurance you will need to safeguard your income. Write for them—there's no obligation!

HARTFORD

HARTFORD FIRE INSURANCE COMPANY
HARTFORD ACCIDENT AND INDEMNITY COMPANY
HARTFORD LIVE STOCK INSURANCE COMPANY
Hartford 15, Connecticut.

Year in and year out you'll do well with the Hartford



was reached last August, the Bureau of Labor Statistics wholesale index has declined about 7 per cent. It has come down from 169.5 to about 157. The decline has been effectively cushioned by the current system of Government farm price supports which has largely neutralized last year's record increase in supplies. There will be no essential change in that policy this year and there is no reason to doubt that farm and food prices can be kept under reasonable control for another year although there will be further declines.

Industrial price declines, on the other hand, will likely be accelerated—now that the non-ferrous price group has definitely collapsed and the steel price structure is no longer anywhere near as firm as some steel producers still would like us to believe.

The danger of looking at price averages only is best illustrated by the fact that a large number of individual commodities already have suffered very sharp declines. In fact, these losses range from 50 to 80 per cent from their postwar peaks for such items as tallow, industrial alcohol, steel scrap, fuel oil, cocoa, cottonseed oil, lard, turpentine, glycerine, printcloths and, of course, the grains. They range from 30 to 50 per cent for another large group including copper, lead, hides, rosin, burlap and others.

Finished goods prices usually lag behind changes in raw materials. But the soft spots are now developing in metal products as well as in other finished goods and there is little prospect for an early reversal in this trend.

SUMMED up, it appears a reasonably safe guess at this time that the Bureau of Labor wholesale index over the balance of 1949 will decline another 10 per cent which would bring it down to a level of approximately slightly more than 15 per cent under its 1948 peak.

This, of course, is a very much smaller decline than the price collapse that occurred in 1920/21. But it is important not to let the relatively moderate over-all decline overshadow the fact that prices in many individual fields are quite vulnerable; very much more so than the overall decline would seem to indicate.

Commodity analysis is now defi-

nitely back on a selective basis. Money is going to be made or lost by the degree of success in anticipating individual price changes. That puts a premium on successful purchasing.

Closely related to the price trend is the inventory outlook. Here again overall figures, as reported by the Department of Commerce, provide helpful background information because they offer an important clue in analyzing trends—but there are so many important differences between individual industries and individual companies that generalizations may be misleading.

You must look at the exceptions rather than the general rule in order to appreciate the potential inventory dangers. See what the precipitous decline in oil and fats prices has done to soap manufacturers. Look at the large inventory losses many food processors have suffered already.

COMMERCIAL failures are now running at a rate about twice as high as a year ago. That is bad enough—but how many more businesses are just quietly folding up because they can no longer stand the gaff.

To be sure, the over-all working capital picture of industry today is excellent. The latest computation of the Securities and Exchange Commission on the working capital of American corporations, as of the end of 1948, showed current assets of \$123 billions and current liabilities of \$58 billions or a net working capital of \$65 billions. That was \$4.2 billion higher than at the end of 1947—but the increase was due entirely to higher inventories. These showed an increase of \$4.3 billions for the year. Cash and Government securities were unchanged at a tremendous \$36 billions. But, of course, behind this figure there is a very uneven distribution.

Looking at the data on current assets, recent price and inventory changes and the price outlook for the balance of the year, one can feel quite sure that there will be no repetition of a wave of commercial failures such as occurred after World War I. But it is well to remember how quickly the earning picture of industries or individual companies can change. The most dramatic reversal occurred after the first World

War when in 1920 corporate earnings set a new peak and the very next year ended up with more companies in the red than in the black—and a net deficit figure for all of them taken together.

Ourse, recent earnings figures have been extremely favorable overall. But it is rather significant that the reported over-all index for the first quarter of 1949 is $\frac{1}{3}$ of the reporting companies had smaller earnings and showed further gains. A year earlier nearly 85 per cent of the reporting companies had made higher. This proves that as far as earnings yardstick is concerned the number of companies reporting gains or losses is more important than cumulative earnings total.

Unfortunately, high sellers' market profits have an uncomfortable habit of disappearing all too quickly—labor unions and Administration spokesmen don't seem to understand. The fact is that the most competitive industries—such as textile, coal or petroleum—which in normal times of buyers' markets have the greatest difficulties in making a respectable showing—experience the sharpest earning gains when their industries find themselves in the middle of a sellers' market, such as existed during the war and in the initial postwar years. But, by the same token, the transition back from sellers' to buyers' markets means a very quick reversal in their earnings hook.

It is helpful, of course, that at present there is no chance for a repetition of a credit squeeze such as that which did so much after World War I to push the economy down. To a period of feverish readjustment. The problem today nevertheless is almost as puzzling. There is plenty of money but nobody seems to want it. It is one of those situations where if you don't need money, the banks would like to give it to you—but the minute you really need some, they won't let you have any.

THIS winds up what I have to say. I find it extremely difficult to go along any longer with the Washington formula that we are merely passing through a phase of healthy dis-

inflation. I am afraid we are in a cyclical downturn which could well carry industrial production down 20 per cent from its postwar peak of last year by the end of 1949.¹ A more severe setback is hardly in the cards, however, either this year or 1950 because the Government will not wait until that point is reached before it starts an active program of re-inflation and chances are that such a program can accomplish much of what it sets out to do.

Meanwhile, we'll see lower prices, lower earnings and more unemployment. Unfortunately, labor can hardly be expected to learn the post-war lesson quickly. It will take before unemployment before unions will realize that downward cost movements must include labor costs and that increases in productivity alone will not do the trick. Establishing quickly a new firm profit and wage balance upon which a new period of business expansion can be based.

Executives Write Book on Teamwork In U. S. Industry

EXECUTIVES of John & Johnson, manufacturer of hospital supplies, with offices at New Brunswick, New Jersey, have written a time devoted to the improvement of work and of productivity in business and industry. I carries a foreword by George Wood Johnson, Chairman, Board of Directors of J&J.

The book bears the title, "Training Employees and Managing Production and Teamwork," which shows that training within is the solution to the individual inefficiency and lack of teamwork which exists in many of the plants and shops today.

The book emphasizes the need for cooperation, teamwork and increased productivity in all areas of life today and goes on to tell how to obtain it through training of all sorts from training in elevator operation and bed making to filing, courtesy, interviewing, packaging, loom fixing, and report writing.

—Published by Ronald Press, New York.

If you ship on Credit



**Important Assets may be
Out of Sight . . . Out of Mind
. . . but NOT Out of Danger!**

BETWEEN the time credits are approved and goods are shipped . . . and the time your customers pay you . . . many unforeseeable events can occur to turn your good credit risks into bad debt losses. To name a few: shifts in public taste, new inventions that render products obsolete, wide price fluctuations or other economic changes, labor disturbances, new government restrictions, glut of foreign goods, etc.

Your Accounts Receivable Should Be Insured

Manufacturers and wholesalers in 150 lines of business who insure their plant, equipment, inventory, cash, etc. . . . have completed their program of protection with American Credit Insurance. It guarantees payment of accounts receivable . . . *pays you when your customers can't*.

American Credit policies enable you to select coverage to fit your needs. You may

insure all accounts . . . a selected group of accounts . . . just one account. Your accounts receivable are valuable assets *at all times* . . . should be protected at all times.

Send for Book, "Why 'Safe' Credits Need Protection"

It contains valuable facts for you, your treasurer and credit manager—discusses the nature of credit, unpredictable events which result in losses despite diligent investigation, etc. It also gives information about American Credit Insurance. No obligation. Simply phone the American Credit office in your city or write: AMERICAN CREDIT INDEMNITY COMPANY OF NEW YORK, Dept. 47, First National Bank Building, Baltimore 2, Md.

J. F. W. Fadden

PRESIDENT



**AMERICAN CREDIT
INSURANCE**

GUARANTEES PAYMENT OF ACCOUNTS RECEIVABLE

OFFICES IN PRINCIPAL CITIES OF THE
UNITED STATES AND CANADA

RECENT COURT DECISIONS

of interest to financial executives

Reviewed by Carl B. Everberg,
Assistant Professor of Law, Boston University

Contracts—A New York Case (Court of Appeals of New York) Emphasizes Rule That a Contract Cannot be Forced on Another Party Through the Silence of Such Other Party

It is not a new principle that one person cannot force a contract on another person by attaching a condition to an offer or proposal that unless the latter person speaks out his silence will be deemed to be acceptance of the offer. However it has now been confirmed in a most recent case in *Albrecht Chemical Co., Inc., v. Anderson Trading Corporation*, 84 N. E. (2d) 625.

The buyer in this case after certain negotiations on the telephone, sent the seller two purchase orders, each for 5,000 pounds of dye. Each order bore on its face the notation, "Kindly sign and return one for our records." On the reverse side there were eleven separately numbered terms and conditions, one of which provided for arbitration in the event of any controversy or claim that might arise between the parties. The last one of the conditions recited that the "order and the terms and conditions thereof shall be deemed accepted" by the seller if he should fail to advise the buyer to the contrary within ten days. (Italics ours.)

The seller did not return the purchase orders signed, in accordance with the condition above mentioned. Instead, the seller sent its own memoranda of sale and made no reference to the buyer's purchase orders or to any provisions therein. The goods were shipped; later the buyer complained that the goods were defective and demanded arbitration proceedings as provided in its own order. Seller insisted it had never

agreed to any condition of arbitration and buyer brought an action asking the court to direct the parties to arbitrate.

The court said that the condition attached to the offer did not commit the seller to arbitrate. It stated quoting from an earlier case in its own court, "a party cannot be held to contract where there is no assent. Silence operates as an assent . . . only when it has the effect to mislead." It (the court) suggested that misleading conduct could arise out of a case in which a previous course of dealings would justify inaction or silence as acceptance. But the court said that there were no such prior dealings in this case. Therefore, "where the recipient of an offer is under no duty to speak, silence, when not misleading, may not be translated into acceptance merely because the offer purports to attach that effect to it."

Bankruptcy—U. S. Supreme Court Determines a Vexing Question Conclusively.

In the case of *City of New York v. Saper*, 69 S. St. 554, the Supreme Court of U. S. granted certiorari to resolve the conflict which had left the question in some confusion for years, on the ground that the matter was of considerable practical importance in the administration of the Bankruptcy Act. This decision covers another case involving the

same issue, *State of New York and United States v. Carter*. At the same time, therefore, a city taxing authority, a state taxing authority and the United States taxing authority asking for interest on their respective tax claims to the date of payment, had the issue adjudicated definitely.

The Supreme Court reconciled the seemingly conflicting decisions. Certain decisions granting the addition of interest on tax claims to date of payment arose under the Bankruptcy Act as it existed prior to the present Act (Act of 1938, known as the Chandler Act with amendments). The court said that a thorough analysis of the present Act revealed that so far as the matter of interest is concerned, tax claims are no different from other claims and so far as they are all concerned, the interest is cut off as of the bankruptcy. Tax claims, of course, have a priority; but as respects interest, the provisions of the Bankruptcy Act are no different—they are silent as to interest. Mr. Justice Jackson, writing the opinion, treats the subject most exhaustively, tracing the history of interest on tax claims through the various statutes and the cases from the earliest times to the present. But whatever may have been the stand of the courts in the past it is now established in this decision that the present Bankruptcy Act simply does not provide for post-bankruptcy interest on tax claims.

Bankruptcy—Another U. S. Supreme Court Case

In *Goggin v. Division of Labor Law Enforcement, of California*, 69 S. Ct. 469, the U. S. Supreme Court protected the right of the collector

of internal revenue to transfer, by agreement with the trustee in bankruptcy, his lien for a tax claim from personal property taken by him pursuant to the lien, to the proceeds of the sale by the trustee.

This case is interesting because, in absence of actual physical possession, the tax lien would be junior to wage claims under the sections in the Bankruptcy Act dealing with priorities. (Sec. 64. Debts Which Have Priority, and Sec. 67 b. and 67 c., having to do with the postponement of tax liens to the priorities of costs of administration and wage claims where they are not accompanied by actual possession of personal property or there being no sale before the filing of the bankruptcy petition.) And the plain inference is that where there has been such actual possession that there would be no postponement.

The underlying reason that tax liens are not given this priority unless a sale has been had before bankruptcy or unless actual possession is taken under the lien, is that tax liens, if not so limited, would in many cases entirely consume the assets of bankruptcy estates and leave nothing for the costs of administration and wage claims. But where possession has been taken, other claimants are warned that the assets so possessed will not be available to any other claimants, not even to the costs and expenses of administration.

The other question of moment in the case was whether the relinquishment of possession by agreement with the trustee militated against the priority of the tax lien over all other claims. The decision (written by Mr. Justice Burton) stated that the agreement to relinquish the lien but to attach the proceeds of the sale, "was a natural and proper one. . . . The propriety of the present conclusion is emphasized by the fact . . . that the opposite conclusion would, in many other cases, operate to the detriment both of unsecured creditors and of the statutory lien holders. It would compel a lien holder to retain his actual possession of the property in order to be sure of his full priority in the payment of his tax claim. He would be compelled to do this, even though by doing so the bankrupt's property probably would yield a smaller sales price than if sold by the trustee."

Need more MONEY to make more MONEY?

Competition is back in the picture. That places a premium on efficiency. If a larger and continuing supply of cash would make your operation smoother . . . enable you to cut production costs . . . save on such items as cash discounts . . . plan ahead with greater confidence . . . you should send for the new and timely book about our Commercial Financing Plan. Thousands of executives have requested and read this book in recent months, and many of them are now enjoying the benefits of the plan it describes.

Our Commercial Financing Plan will give you substantially more cash than is available from usual sources. It operates continually . . . according to your needs . . . thus eliminating renewals, calls and periodic clean-up of obligations.

It is quick and simple to start . . . involves no change in accounting procedure . . . no change in your relation with customers . . . no interference with your management or control.

You will find the cost of using our Commercial Financing Plan well in line with the

benefits you enjoy by having adequate cash available when and as you need it. Evidence of this is that manufacturers and wholesalers are using the plan at the rate of \$200,000,000 annually. Their needs vary from as little as a few thousand to millions.

To repeat . . . if you need more money to make more money . . . send for a copy of "How To Have An Adequate And Continuing Source Of Operating Cash." Just phone or write the nearest Commercial Credit Corporation office listed below.

COMMERCIAL FINANCING DIVISIONS: Baltimore 2 • New York 17 • Chicago 6
Los Angeles 14 • San Francisco 6 • Portland 5, Ore. . . . and more than 300 other
financing offices in principal cities of the United States and Canada.



LETTERS TO THE EDITOR

Accountants and Depressions

Gentlemen:

You may print the following paragraphs of this letter as an article in your magazine if you wish, or you may use them as a basis for an article of your own. I am not an accountant, so that the remarks I make may require a bit of editorial review. However, I believe that they should prove interesting.

Now that we have things like the Atomic Bomb in the field of physical warfare, I should like to cause a similar explosion in the field of accounting practice. Perhaps it is going too far to say that our depressions are caused, almost entirely, by the accounting methods. However, that is not far from the truth.

Current practice makes it necessary for every business corporation to take inventory at the beginning and at the end of each business period, and the valuations are made on some basis related to market prices at the time of the inventory. It is true that the actual valuation may be based on the lower of cost or market, or there may be applied some rule like Last In and First Out. Yet, goods are constantly being sold, and replenishment is made at new prices, so that current inventory valuation does bear a somewhat direct relationship to current market.

The result of this practice is that a corporation maintaining a somewhat stable number of inventory units may nevertheless have a considerably higher inventory valuation at the end of an accounting period in a period of rising prices. On the other hand, the same number of inventory units may be tagged with a much lower valuation at the end of an accounting period marked by drastic price reductions.

It should be clear to every one that the higher inventory valuation period characterized by higher prices, means an illusory profit situation. The corporate officials are proud of their achievements and point to the black ink on the corporate records. High taxes are paid on the profits, and the Government shows its pleasure by increasing its

expenses a hundredfold, thereby increasing the inflationary condition of the times and adding to the optimistic outlook of people. The boom continues to grow.

Now, take the condition when prices are going down and inventory can produce only a much smaller dollars and cents figure on the books. Now the opposite is true. The corporation shows paper losses (not real in any true sense). The officials become glum, and begin to cut expenses sharply. Government tax collections fall off. Even the Government tries to economize (and that really is something). Everybody thinks Depression. Depression is.

It is high time that some one with an eye toward improved accounting practice should make a suggestion to alter this state of affairs which I believe is one of the primary causes for the excesses of depressions and booms. I think the unnecessary installment selling is a second great cause of depressions, but that can be left for another paper at some time later. Let me just say here that what a man spends today he cannot again spend tomorrow, and installment selling thereby raises sales today and reduces them later, necessarily causing a recession.

The accounting practice that I think will lead to an improvement in the mental outlook of individuals is the cash method. I may be wrong in my conclusions, but it seems to me that if all cash outlays during a period are considered expense, and all cash receipts during the same period are considered income, the one deducted from the other will be a fair basis for assessing income taxes, if any. If the company making profit chooses to spend a large share of them for improvement on plant, Uncle Sam will temporarily be done out of some tax receipts. But eventually at some time the corporation will be sold or liquidated, and at that time Uncle Sam's claims can no further be delayed. Here, then, the problems of inventory are thrown out of the window, the question of value is eliminated, and paper profits and losses are set to nought.

Accounting Experts, do your stuff!

Very truly yours,
W. H. Maxant
Maxant Button & Supply Co.
Chicago

Questions Duggan Article

Dear Sir:

I have just read on page 24 of your May issue, an article headed "No Man Can Serve Two Masters" and criticizing the present law permitting an Assignment for the benefit of the creditors.

I would like emphatically to take exception to the late Mr. Duggan's position in this matter as well as the support given his writing by your good self. It seems to me that, if Mr. Duggan's attitude was at all justified by actual experience, the set-up of the Boston Association or its affiliated Adjustment Bureau is not just what it should be for, I believe, these "assignments" are one of the major services that can and should be handled for and by the Association and/or Bureau for the creditors in general.

As a cross section of dealers granting credit, the Association members should be in the best position possible to get advance knowledge of the debtor's condition and intentions and to accept the assignment themselves or, if they did not care to give it the time necessary, steer it into the office of the Adjustment Bureau. Naturally, if not offered help or advice by those with whom he has been doing business, the debtor gravitates toward a lawyer acquaintance—said attorney oftentimes being one of the less well-known members of the bar as the older and better-known attorney usually hesitates to handle such cases unless they run into big money.

I believe, also, Boston has a number of Trade Groups whose membership should be particularly well posted in debtors' affairs and should be willing to designate one of their members to accept the assignment. The experience and knowledge gained by such a member would more than repay him for the extra time and effort.

As a long time member of the Worcester County Credit Men's Association, with a record of nine-

teen years of service as its Treasurer, twenty-five years as Chairman of the local Provision Group, and twenty-nine as Treasurer of the Affiliated Adjustment Bureau, the writer has personally handled numerous assignments, acted as Trustee on several Bankruptcies and helped to turn various other assignments and Trusteeships over to the group attorney.

I would challenge anyone to point to an instance where the handling of the debtor's affairs did not result in the friendly distribution of a much larger proportion of the debtor's assets to the creditors at much less expense and in much shorter time than could have been obtained in bankruptcy.

The assignment law is on the books and does not say that the assignee *must* be an attorney and if Mr. Duggan's or Boston's experience justifies the statement that assignments are for the benefit of the "Debtor" only, some of the credit men and their officers have badly fallen down on their jobs. Legitimate assignments *are*, to my mind, for the benefit not only of both the debtor and the creditor but of business in general resulting in far less dissipation of assets.

A debtor, too, who voluntarily turns over everything to satisfy his debts is surely entitled to fair treatment as well as the creditor.

In my experience of nearly fifty years in the food business, I can recall but one or two cases of assignments to attorney "acquaintances" where the handling of the case could be criticized to any extent and then somewhat on account of the attorney's lack of knowledge of the particular line of business he was liquidating.

From the above, I hope you will appreciate that there is another angle to the case other than that presented by the article referred to. Why not suggest that the individual credit men, whose accounts are affected, do a little investigating of such situations themselves rather than passing the buck wholly to the Association? An Assignment is an act of bankruptcy in itself and the creditors have that recourse if the affair does not look legitimate and above board.

Sincerely yours,
I. S. Merritt,
Shrewsbury, Mass.

You can save money by using NACM standard publications

Every form produced by the National Association of Credit Men is designed to fit the stated demands of purchasers. Every new form, as soon as it is approved*, is printed in huge quantities so that you have the unique advantage of being able to buy forms tailor-made to fit your needs at mass-production prices!

Financial statement forms—nine different designs . . . trade acceptance blanks—three different designs . . . operating statements . . . letter enclosures—ten different styles that are very effective in dealing with slow-payers and discount-chiselers.

There is a sample book of NACM standard forms wrapped and waiting to be shipped to you. Send us your name right away and your sample book will arrive by return mail. A quick look through it will show you how you can save your firm real money in printing costs.

*Every new design is submitted for approval and suggestions to leading credit executives throughout the country before it is printed.

PUBLICATIONS DEPARTMENT

National Association of Credit Men

One Park Avenue

New York 16, N. Y.

ACCENT on ATTITUDE

(Continued from Page 13)
attitude toward his debts. "We hesitate to write you." Where's our respect for the debtor? What kind of a fellow do we think he is, that we can't even bring the subject up? And where's our respect for our own dignity? Why should we hesitate to ask for what is ours? And how many times do we ask people to favor us with a check? Who is favoring whom? Maybe we should ask the debtor to favor himself by sending us a check. And when he does send the check, let's not thank him so profusely that he gets the idea we had the biggest surprise of our lives when he paid us.

THIS groveling approach can be very irritating. One of my fellow-workers has a talent for it. Try as I may to remember that he doesn't mean a word he is saying, my first reaction to his, "I don't like to bother you, but" is a flash of irritation. The first time he said it, I hastened to assure him that credit work is my job, and I like it. But did that stop him? Not a bit! The next time he just varied the wording, and said, "If it's not too much trouble, would you mind . . . ?"

Now if I really believed that he entertained any notion that I identify myself with a job the responsibilities and duties of which I consider too much trouble to be bothered with, I would really rise in defense of my self-esteem. But he doesn't, of course. He is *injecting* what he thinks is good "psychology" into his approaches, without doing any really fundamental thinking about human relationships. Result: stereotyped nothings.

How much better would be a request phrased in this fashion: "You can help us decide between two possible sources of supply for a new line we are buying. It's a matter of their dependability as a resource. How soon can you get reports, etc.?" Ah, I like the sound of that! The credit department's judgment is being consulted outside of its regular field. It is taken for granted that I *want* to be of service. My self-esteem is gratified.

Also to be ruled out are all we-need-the-money appeals. Respect

for our own dignity should keep us from retreating to the defensive. We have rights under the credit contract. Why weaken them by substituting for them another reason for payment? There is only one fundamental reason why the debtor should pay his account: He owes it.

ALMOST fell into a trap of my own making not long ago. I had to hold up delivery of some goods because the customer's account was past-due. Now an appeal asking the customer to discharge his present obligation in order to open the way for further business is perfectly legitimate. But in this telephone conversation somehow I got my emphasis just a little askew until it appeared that I was dangling a tempting morsel before him and saying, "You can have this shipment that is ready for you if you will pay us what you owe." Well, it turned out that he wasn't in any hurry for that goods—we could deliver any time. What he really was desperate for was this other order we had in the mill (a style, you guessed it, that we couldn't deliver for another ten days). Well, he is a friendly fellow, but in a shrewd way, and before I realized what was happening that conversation all but got to the point where he was holding out on me with the intent of pressuring for delivery.

The moral of that story might be: don't dangle a morsel unless you are mighty sure it is a morsel. But the moral as I see it is: be careful where you put your emphasis when you are dangling morsels. Don't forget that the basic reason why the account should be paid is that the customer owes it. It is an obligation he has to discharge. Now when he discharges it, lots of good results: he keeps his credit record good; he likes himself; he gets more goods. All legitimate morsels. But in your approach, never by-pass the obligation of the customer to pay you *because he owes you*.

The next time that same situation came up with the same debtor, I happened to get the controller on the 'phone. "Oh, Mr. Blank, you are the controller. Then you are the man who disburses the money."

"That's right." "Fine, because I want some of it." There was a note of challenge in his "Why?" Did I say, "Because we have a new order we want to ship you?" No! "Because you owe us a past-due account of \$350." "That's a good reason," he said. "It's the best one I know, Mr. Blank. And I'm confident that you want to get this old transaction out of the way as quickly as we do, so that we can both direct our attention to new business. In fact, we have an order in here now that we want to give you some good service on."

Don't retreat from your rightful position in the credit contract. Don't invent hokum. Don't tell fibs. Don't tell jokes. Don't apologize. Don't say we need the money.

THEN what shall we say? Say what saves the debtor's self-esteem; but more than that, say what leads him to see that down the avenue of payment lies the opportunity to *confirm* his self-esteem.

What you say is important. But what you imply beyond the bare meaning of the words is even more important.

Say what implies respect for the customer's dignity as a human being.

Say what implies respect for your own dignity; say what implies that you expect prompt payment.

Say what implies that the customer is one of that great majority who pay their bills as a matter of course.

Say what implies that the customer has set high standards for himself in his business dealings; that he has a strong sense of responsibility toward his obligations; that he is reasonable, fair, courteous, cooperative; that his intentions are honorable; his integrity unquestioned.

Mind you, I say *imply* these things.

This picture we hold before the debtor as a mirror in which he sees himself in the ideal. He likes it, he wants to affirm it, to prove that it is so. His pride urges that his behavior be consistent with his ideal self, his *real self*, and thus confirm his sense of worth. The consciousness of the unpaid account, the unanswered letters, the unexplained silence, all ghosts of inferiority looming on the horizon behind him,

stimulate him to hurry to catch up with his real self.

"This is you," we say in effect, "It's like you to pay your bills." That's when we talk about "your wish to keep your account up-to-date," "the careful attention you give to your accounts."

If we need a stronger appeal, "This is you," we say, "It's not like you *not* to pay promptly," or "*not* to answer your correspondence."

Or, if you need to pull that ghost of inferiority in a little closer on his heels, say in effect, "There is a discrepancy here. This isn't what we expected at all. Something must be wrong. Tell us what it is."

Or still closer: "You are not being fair to yourself. You are putting yourself in the wrong light!" Or, "Your credit record is suffering."

WITH some few we have to bring that ghost of inferiority in so close that the debtor feels its breath on the back of his neck. That is when we begin to move him out from the majority, where his ego has been in safe haven, into an ever-diminishing, uncomfortably conspicuous minority: "Your name is on this list, where it doesn't belong." "Half a dozen accounts requiring special attention." "I'll keep your file right here on my desk a few days." But always, you are careful to show him that he doesn't belong in this minority group. "This is you," we say, as we keep implying our ideal picture, "Come over with the majority where you belong," always leaving the road open for the customer to save his self-esteem.

Even when you resort to the threat of suit, leave an open road for him. Tell him that you give him that final chance because you can't believe that he is not one of the 99 out of 100 people who pay their bills because they want to, and not because they have to.

I have indicated a technique to follow and suggested the general sense that our letters should convey if they are to express the right psychology as I see it. The wording I leave to you, since none of us can express himself in another's words.

PURELY for the sake of example, I bring you just one letter out of PSYCHOLOGY IN CREDIT LETTERS because it exemplifies most of the points I have touched on.

Dear Sir:

"100 Best Collection Letters—100 Ways of Persuading Your Customers to Pay!"

I smiled to myself as I read that advertisement in a business journal.

Why? Because our customers don't need to be persuaded to pay. We select our accounts as being worthy of credit, and they are all people who regard their obligations seriously, and recognize only ONE reason for paying a debt—that it is due.

We have high faith in them. Rarely have we been disappointed. As a result, there exists between us that cordial relation that rests on mutual confidence, and upon that foundation we build mutual profits.

Sincerely yours,

(This letter was attached to a statement showing overdue items and their maturity date, with no further comments.)

Occasionally we still hear a credit man refer to his collection letters as "dunning" letters. Did you ever

look at what Webster says about the word *dun*? He says it means "to clamor insistently for payment." It derives from an Old-English word, *dunnen*: a loud noise! It is related to the German word, *donner*: thunder!

Let's take the word, with its Scrooge-like, hard-fisted, table-pounding connotations completely out of our vocabularies and our thinking. Let's throw out the last vestiges of *donner-und-blitzen* credit letters forever. Don't think about writing duns—those things that rob the customer of his self-esteem. Write public-relations letters that make the debtor like himself, and you, because when he pays his bill he *confirms* his self-esteem.

BUSINESS MANAGEMENT

(Continued from Page 7)

and recognizes that a new science and new art of management is required. He devotes his major attention to planning; to maintaining a clear-cut organization; to executive direction; to coordination and to control.

Through leadership sensitive to what makes persons behave as they do and concern for providing them with basic satisfaction in their work, through wholesome human relations, and through consultative management, he will produce more than he could or ever did, through mere su-

periority of specialization. He becomes the "new manager" who directs, develops and energizes those who report to him so that frequently each subordinate performs better than the manager himself could in that specialized activity.

His highest specialization is management, a science and an art which is easier, his conscience is clear, he can take just pride in the social values of his efforts—and incidentally there is another result which he has a right to expect—he himself lives a happier and longer life.

You and Owe



You may risk greater loss through interruption of business for which you extend credit than may result from destruction of physical properties alone. We'll explain the how and why of U. and O. (Use and Occupancy) insurance if you'll mail us this advertisement clipped to your letterhead.

THE PHOENIX-CONNECTICUT GROUP
OF FIRE INSURANCE COMPANIES, HARTFORD, CONN.

Combined Statement December 31, 1948

Assets	\$112,222,583
Liabilities	57,589,157
Surplus to Policyholders	54,633,425
Losses paid to December 31, 1948	442,822,252

In the MODERN office

A NEW inexpensive aluminum folding utility table which will be of great use in offices, factories, shipping rooms, mail rooms, and warehouses has been developed by All-Luminum Products, 218 Walnut Street, Philadelphia, Pa.

The new table, "The Foldaway," is sturdily constructed of heavy-gauge aluminum, reinforced with steel at strategic points. Made so that it can be set up as a 30-inch high table, measuring two by five feet, in just 20 seconds the Foldaway weighs only 19 pounds, yet will support over 800 pounds without any difficulty.

Folded for storage, the Foldaway measures only $2\frac{3}{4}$ " x 2' x $2\frac{1}{2}$ ", can easily be stowed in a car, truck or airplane, and has the additional feature of a leather handle so that it can be carried like luggage.

Its practicability for everything from demonstrations and exhibits to a dining table for company cafeterias is illustrated by the fact that a stack of tables five feet high will unfold to feed 200 persons.

A NEW Underwood Sundstrand Composite Accounts Payable Machine, featuring a ten-key keyboard only two by three inches in size, has been produced and announced by Underwood Corporation. The dual plan provides for postings to the departmental journals to balance against the postings to vouchers, eliminating the necessity of pre-listing for proof purposes. The system has been primarily designed to expedite the handling of invoices so every discount and anticipation amount can be deducted with maximum accuracy and minimum operator effort.

Collation of forms is also eliminated, and each entry is identified by the receiving record number instead of the vendor's name. Totals-to-date are automatically extended fol-

lowing the daily postings to each departmental purchase journal and to each departmental return journal. Checks are written automatically and the operation of the machine and system is so simplified that anyone can start posting after brief instructions. The completely automatic check writing feature is designed so that if the postings to a voucher result in a debit balance, the machine automatically will not issue a check to a vendor whose voucher shows a debit balance.

A POSTAGE meter only a little larger than a dial telephone, yet a complete, self-contained metered mailing machine that stamps



and seals mail of all kinds and classes, is announced by Pitney-Bowes, Inc., which has begun national distribution through branch sales-service offices in 86 principal cities.

Termed "the first true desk model" postage meter ever built, the "DM," as it is called, nevertheless prints postage of any value, as and when needed, directly on the envelope. The stamp is a regulation U. S. metered mail imprint, complete with a dated postmark and, optionally, the user's own advertisement or message, trademark or monogram.

The operation is easy and requires no special training, the company said. The user simply "dials" the stamp value wanted and presses a lever. Envelope sealing is accomplished by a moistening mechanism built into the meter. A small container of gummed tape, fitted in place instantly, provides postage for parcel post and bulky pieces.

BUSINESS CYCLES

(Continued from Page 16)

been expected by those who knew that, in addition to the long building cycle, there is a *minor* rhythm of about 33 months associated with residential construction with its peak due to come in the beginning of 1947. This short cycle apparently restrained to some extent the downward pressure of the long wave, so that although building dipped in 1947, it recovered in January, 1948, and despite the sharp increase in costs, forged ahead to the next top in December, 1948, shortly ahead of schedule.

With the wholesale price and production rhythms passing through their contraction phases at approximately the same time as the minor building cycle, it is not surprising that the country has recently been experiencing a slump in business. However, since the $3\frac{1}{2}$ -year rhythms in common stock prices and industrial production are now making an effort to reach their next peaks in 1950, this should be moderate and of short duration. At the same time, credit men will be exercising good judgment if they keep their attention closely on the various indexes during the next few years, for if the ideal pattern works out, the $3\frac{1}{2}$ -year, the 9-year and the 18-year waves should all be hitting their troughs simultaneously in the early 1950's. This might mean serious trouble, for the three longest and deepest depressions within the period covered by available data—1825-1830, 1873-1878 and 1929-1934—all occurred at a time when the corresponding phases of these cycles coincided. Therefore, the chief problem is not only to identify and isolate the many cycles but also to study their coincidences and divergences.

THE foregoing is no more than a sketchy presentation of a complex and difficult subject; and, besides, a number of other indexes which serve as valuable indicators, merit serious consideration. Nevertheless, it may suggest in a general way a certain type of thinking or perspective that credit and financial men might find useful in their work.

The reader, of course, must realize that the scientific study of business cycles is still in its infancy, and the results thus far do not yet permit absolute precision in forecasting; but at least some progress is being made. Science moves slowly. It is said that astronomers, for instance, required some three hundred years to gain a reasonable measure of control over the elements of their time series; and speaking for the physicists, Eddington remarked that "the next quantum jump of an atom is as uncertain as your life and mine."

The important thing is to realize how complex economic life is; that it consists of a heterogeneous mass of diverse phenomena that are in constant vibration at varying rates of speed, inevitably reversing their perverse behavior, however, to proceed in more or less dignified array to culminate at certain critical points; and that it cannot possibly be susceptible of successful manipulation by any individual or group of individuals.

The number of civilian employees in the Executive Branch of the Federal Government in April increased at the rate of more than 350 a day. At an average pay per employee of \$3,000 a year that means that the payroll was increased during April at a rate of \$1,000,000. Total civilian employment in the Executive Branch in April amounted to 2,122,710. At an average of \$3,000 a year that is . . . you work it out. We can't think that high.

On the contrary, the components of economic activity comprise an integral part of the whole world of phenomena and are thus subject to the same laws of probability. Hence, those people who insist upon thinking in terms of stability, in the sense of lack of motion, are headed for a fool's paradise, for actually there is no such thing. The person who is caught in the rain without an umbrella, may think that the weather lacks stability; but the meteorologist, instead of trying foolishly to alter the weather, merely charts the probabilities and leaves the rest to us. What more can we expect of the economist?

Employee Dishonesty

(Continued from Page 9)

accountants to audit the accounts of the employer periodically cannot be too strongly stressed. While he does not check each and every transaction, his presence has a strong moral effect on personnel, and keeps them from wrongdoing. The independent certified public accountant also will advise the employer as to the adequacy of the system of internal control.

Recommended Preventive Measures— (3) Use of Fidelity Bonds

While the use of the recommended safeguards will help many employers to keep dishonesty losses at a minimum, both as to frequency and amount, there is a third protective measure to safeguard an employer's money and property. This is through the use of fidelity bonds. Fidelity bonds not only strengthen the morale of the employees and make employers feel more secure, but they also reimburse the employer for the loss caused by a bonded employee when that employee has overcome safeguards used by the employer.

Incidents of that nature have been happening too frequently recently

and every employer should now give serious consideration to the three preventive measures suggested herein—personnel, consultation with accountants, and the use of employee fidelity bonds.

INDEMNITY is not the only benefit an employer receives from a fidelity bond, and the other benefits are sometimes more valuable than the agreement to pay for losses caused by dishonest employees. The employees to be included in a fidelity bond are carefully investigated by the surety and thus undesirables are weeded out. In this way a third benefit goes to the bonded employees. Those employees, who are approved by the investigation should feel that their character has been certified to. They then have the endorsement of the surety and the increased confidence of their employer. Most bonded employees fully realize that they must answer to the surety for any wrong doing which they commit and many times this fact acts as a deterrent to those who are tempted.

There are various forms of fidelity bonds available for the employer

such as:

Individual Bonds
Name Schedule Bonds
Position Schedule Bonds
Primary Commercial Blanket Bonds
Excess Commercial Blanket Bonds
Blanket Position Bonds

Within the past few years the sureties also placed on the market a form of multiple protection called the Comprehensive Dishonesty, Disappearance and Destruction Policy. The variety of forms available furnish the employer, whether he be large or small, with the privilege of selecting the form of fidelity bond best suited to his needs. When the employer decides to add fidelity bonds to the security of his business he will find many insurance brokers and agents, who are specialists in this field, to consult with. He may then decide upon the form which is most appropriate for his needs.

It is a fact that dishonesty losses occur daily which exceed the amount of fidelity bonds carried covering the acts of the dishonest employee. In view of this fact it would be well for the employer, at the time he considers the amount of a fidelity bond, to make certain that the amount is reasonably sufficient to cover the dishonesty loss which might be caused by bonded employees.

Covey Predicts Bankruptcy Will Increase by 25%

A 25% increase in bankruptcy cases in Federal courts next year was predicted recently by Edwin L. Covey, Chief of Bankruptcy, Administrative Office of U. S. Courts. Testifying before a House Appropriations Subcommittee, Mr. Covey said that bankruptcy referees will handle about 26,000 cases this year and 32,000 next year. The total cases filed in 1948 was 18,510; thus the filing of 32,000 cases would mean an increase of 70%.

Los Angeles Invites You

NATIONAL ASSOCIATION OF CREDIT MEN

1950 Convention

GREETINGS:

THE citizens of Los Angeles are happy to join your local members in extending to you a cordial invitation to meet in our City. Bienvenido (welcome) was the byword here in the days of the Spanish dons, when the doors of gracious haciendas were ever open to the wayfarer . . . and today in Los Angeles County that greeting is just as sincere.

Los Angeles with its diverse attractions is an ideal convention city. World-famed hotels and restaurants—national broadcasting studios—movie capital—beaches—the great aviation industry—all within its borders. Here entertainment and industrial progress reach their zenith—and these are matched by cultural advantages.

Swift transportation services bring you to Los Angeles. Your meeting here will enjoy unsurpassed convention facilities. The many visitors who are entertained here each year, bear witness to the City's hotel hospitality and the cordiality of its business institutions.

Should you choose to meet in Los Angeles, we pledge assurance of every cooperation in making your convention successful and enjoyable. It will be our pleasure to serve you.

Frank D. Johnson *W. T. Mees*
MAYOR, PRESIDENT,
CITY OF LOS ANGELES LOS ANGELES CHAMBER OF COMMERCE

Raymond V. Darby
Sincerely,
CHAIRMAN,
BOARD OF SUPERVISORS, LOS ANGELES COUNTY



The ZEBRA Corral

FORTY-ONE true and trying members of the illustrious Royal Order of Zebras met at Atlantic City during the N.A.C.M. Congress and great plans were laid for a new and greater Zebra fraternity.

At their annual meeting the following were unanimously chosen to guide the destinies of the organization's activities for the coming year: Mark O. Hutchison, Oakland, California, Grand Exalted Superzeb of all Zebras; Gordon A. Graham, San Francisco, California, Grand Zebratrary; Thomas A. Sheriff, Pittsburgh, Pa., Eastern Divizeb; J. F. McFarland, Milwaukee, Central Divizeb; Art Kern, Los Angeles, California, Western Divizeb.

Hackney's famous seafood restaurant on the Boardwalk was chosen as the meeting place, and guests of the group swelled the dinner attendance to sixty-five.

No speeches were made at the second



session, so everyone enjoyed themselves.

Zebra E. M. Kroening, of Milwaukee, went to work on the Ivories and added much to the life of the party. Of course, his music was accompanied by the cracking of lobsters and dispensing of clam shells, but the net result was symphonic or something.

Art Johnson, of Los Angeles, the first Grand Exalted Superzeb, was called upon to speak of California and Los Angeles in 1950. Well, we're very short on space, but Art guaranteed a real western round-up of Zebras at their convention, estimating an attendance of 250 to 275 Zebras. The 1950 N.A.C.M. Convention in Los Angeles will never be surpassed, says Art.

All Zebras in the land are cordially invited to write to your new Grand Exalted Superzeb at Oakland, California. Please drop him a line of encouragement after reading this article, he will appreciate it.

Other members of the Credit Fraternity interested in forming "Herd" in your city, also contact the "Grand Ex." and he will give you information on the subject. Do it now.

Your newly elected Grand Exalted Superzeb finds upon assuming his honorable office that membership records are not entirely complete. Please write him, giving a list of your present officers and their addresses, and members of your Herd.

—M.O.H.

Paul Kerin Better

Dallas: Paul Kerin, Secretary of the Dallas Wholesale Credit Managers Association, who, it will be recalled was unfortunate enough to break his leg in an accident at Atlantic City, is coming along well.

On June 4 he was moved from Baylor Hospital to his home at 5615 Longview. He will have to remain at home with his leg in a cast for a considerable time, but has made arrangements so that he can carry on most, if not all, of his regular work from his home.

Former Referee Is Heard At Huntington Meeting

Huntington, W. Va.: John E. Jenkins, attorney and former referee in bankruptcy, was the guest speaker at a luncheon meeting of the Tri-State Association of Credit Men on June 6. His subject was: "Some Observations in Regard to the Bankruptcy Law."

ASSOCIATION NEWS

Credit and FINANCIAL MANAGEMENT

LOCAL NATIONAL

New York Dinner Honors Earliest National Association Staff Heads



William Fraser (left) and Henry H. Heimann (right) present scrolls and pins to Charles E. Meek (next to Mr. Fraser) and W. A. Prendergast.

A DISTINGUISHED group of credit executives gathered at the New York Athletic Club on June 8 to honor Messrs. W. A. Prendergast and Charles E. Meek, the first and second executive managers of the National Association of Credit Men. Mr. Prendergast served from 1898-1904 and Mr. Meek from 1904-11.

Seven National presidents attended the dinner—William H. Pouch, Paul W. Miller, William Fraser, Mr. Meek, who it will be recalled was elected vice-president immediately on his resignation as executive manager and subsequently president; Charles E. Fernald, C. Callaway, Jr., and Henry H. Heimann. Also R. M. Gidney, president of the Cleveland Federal Reserve and former director of the New York Credit Men's Association, journeyed to New York for the occasion.

Fourteen past presidents, who were not able to be there, sent letters of congratulation and regrets at their inability to be present. They were: Silas J. Whitlock, Eugene E. Elkus, George J. Gruen, Frank D. Rock, E. Don Ross, Ernest Kilcup, Edward Pilsbury, Daniel Bosschart, Charles A. Wells, Ray C. Wilson, Bruce

R. Tritton, Robert L. Simpson, Edward L. Blaine, and Charles B. Rairdon.

During the evening the two guests of honor were presented with certificates of appreciation and awards of credit merit by William Fraser, J. P. Stevens & Co., Inc., chairman of the dinner committee. Mr. Fraser also presented the two guests with solid gold tie clasps and collar pins and with sets of gold cuff links inscribed with the National seal.

Mortimer J. Davis, secretary-manager of the New York Credit Men's Association sprang a surprise by producing the first minute book of the association in which were inscribed in pen and ink the minutes recorded by Mr. Prendergast sixty-four years ago and containing an entry on page 2 by Mr. Meek. Mr. Prendergast, besides being the first executive manager of the National Association, was also the first secretary of the New York Association. Incidentally, he is still active in business as the president of the New York and Honduras Rosario Mining Company.

An amusing incident happened as the guests were leaving. Just as they were going out of the front door of the Ath-

letic Club the head waiter, who had come down from the 10th floor with great speed, dashed up to Mr. Fraser shouting "one of the gentlemen forgot his diploma." It was Mr. Prendergast. Mr. Meek spent the night in New York. When he got home the next day he discovered that he had left his "diploma" behind, also.

Each of the two guests of honor has been given a bound volume containing all the pictures that were taken at the affair and photostatic copies of all the letters received from the past presidents who were not able to be present.

Wisconsin Par Clearance Law Now In Effect

THE Wisconsin par clearance bill passed into the statutes last month as Chapter 271 when it was signed by Governor Rennebohm.

The new act reads as follows: "Checks drawn on any bank or trust company, organized under the laws of this state, shall be cleared at par by the bank or trust company on which they are drawn.

"Any bank or trust company, or officer or employe thereof, who violates the provisions of the section shall be guilty of a misdemeanor and punished . . ."

The law went into effect June 20.

The Central Wisconsin Association of Credit Men, as well as the Milwaukee and Northern Wisconsin-Michigan associations, worked for more than four and one-half years and through three legislatures to get the act on the books, it was asserted.

The par clearance bill was introduced in the 1945 Wisconsin Assembly by the late Assemblyman E. M. Schneider and in the 1945 Senate by Sen. Taylor G. Brown, both of Oshkosh.

It was lost in that session because of its newness and because all banking legislation requires a two-thirds majority of all legislators.

Introduced again in 1947 by Assemblyman Harvey R. Abrahams, Oshkosh, and Sen. Gordon A. Bubolz, Appleton, the bill passed the Assembly but lost in the Senate by two votes.

The bill presented to the current legislature and now a part of the state law, was introduced in the Assembly by Assemblywoman Sylvia Raihle, Chippewa

(Continued on next page)

This publication's vice-president in charge of don't get March mixed up with May was on vacation last month. Hence the North-Central Credit Conference was listed for May 17 and 18. This should have read March 17 and 18.

(Continued from previous page)

Falls, and in the Senate by Sen. Frank E. Panzer, Oakfield.

At the time of the bill's enactment there were 107 state banks in Wisconsin on the non-par list.

Charles D. Breon, secretary-manager of the Central Wisconsin, commenting on the bill, writes: "Too much credit cannot be given to Senator Taylor G. Brown, of Oshkosh, Senator Gordon Bubolz, of Appleton, and Senator Frank E. Panzer, of Oakfield, who is President pro-tem of the Senate, for their efforts and wonderful work in getting this bill through." Credit also must go to G. O. Thorpe, of the First National Bank of Chippewa Falls, president of the Chippewa Falls Credit Club, whose principal objective has been par-clearance legislation.

Getting closer to home credit must go to Secretary-Managers Ralph C. Creviston, of the Northern Wisconsin-Michigan Association of Credit Men, Herman S. Garnett, of the Milwaukee Association, and particularly to Mr. Breon himself, whose political know-how and masterly planning of the political strategy were of immense value.

Promoted at Westinghouse

Pittsburgh: Herbert P. McDonald, treasurer in the eastern district office of the Westinghouse Electric Corporation, has been elected an assistant treasurer of the company. He assumes also the credit managership of the company with headquarters at Pittsburgh.

—and in Chicago

Mr. H. W. Friederichs has been appointed Central Division credit manager of Continental Can Company's Metal Container Division, Chicago, according to Sherlock McKewen, secretary and treasurer.

Mr. Friederichs formerly was district credit manager at Chicago, Illinois, and has been with Continental since 1923. He reports to P. B. Nold, general credit manager, New York.

—and at Appleton, Wis.

Appleton, Wis.: D. R. McGee, for many years credit manager of Schlafer's, Inc., has been made manager of the firm's mill supply department. Mrs. Mary Albrecht, the present credit manager is now treasurer of the company.

Pittsburgh Golf

Pittsburgh: The Greensburg Country Club was the setting of the first golf outing for the Credit Association of Western Pennsylvania. Other outings are planned during the summer.

Former Executive Manager of NACM Died on May 18

Dr. Stephen I. Miller, executive manager of the National Association of Credit Men from 1927-1931, died May 18 in Lomita, California, where he had been living in retirement for the past three years. He was 73 years old.



Dr. Miller had a distinguished career as scholar and economist. A graduate of Michigan, Stanford and Heidelberg Universities, he taught for several years at Michigan, Stanford and Southern California before moving to New York to become educational director of the American Bankers' Association. He was noted as a first-rate speaker and authority on economic subjects.

In 1927, when the late J. Harry Tregoe tendered his resignation after serving as executive manager for 16 years, a committee of officers and directors prevailed on Dr. Miller to succeed him.

When his resignation was announced at the Boston convention in 1931, after only four years, it came as a complete surprise. However, Dr. Miller explained his action in the words of his favorite quotation: "Upon the plains of endeavor will be found the bones of countless millions who, having reached the threshold of success, sat down to wait—and waiting died." He was a builder; he had built; now he must move on where there was more building to do.

Dr. Miller was succeeded by Henry H. Heimann, the present executive manager, who assumed the position just three months after being elected National President.

Dr. Miller leaves a wife and daughter. He and his wife spent ten years cruising the waters of the South Pacific from island to island in their 45 foot yawl.

Connecticut Credit Men Hold Annual Conference June 21

New Haven: The Thirty-Second Annual State Conference of the Connecticut Association of Credit Men was held on Tuesday, June 21, at the Racebrook Country Club, Orange, Connecticut. The meeting came to order at 9:30 and after the annual election of officers and addresses of welcome, Andrew Heard, A. C. Gilbert Company, New Haven, spoke on What Credit Did for America. Following this talk W. A. Purtell, President of the Holo-Chrome Screw Corp. and President of the Connecticut Manufacturers Association, made an address on Things for Credit Men to Think About. The speaker at luncheon was U. V. Adams, Esso Standard Oil Co., Boston, whose subject was Trying to Keep Abreast of the Times.

In the afternoon following a shooting exhibition by Capt. Jack Lacey, Rifle Expert of Winchester Repeating Arms Co., the delegates held a golf tournament. Moving pictures also were shown of the major sporting events of the 1948-9 season.

The conference came to a close with a banquet at which Henry H. Heimann gave an address entitled "Recession or Depression?"

Leidesdorf, Knox Honored by NYU

New York: Samuel D. Leidesdorf, S. D. Leidesdorf & Co., and Judge John C. Knox, senior judge of the United States District Court, Southern District of New York, received honorary degrees at the 117th commencement of New York University on June 15.

Mr. Leidesdorf was the recipient of the Doctor of Humane Letters degree and Judge Knox of the Doctor of Laws degree.

New York: A recent survey conducted by the Credit Planning Committee of the New York Credit Men's Association on "How Accounts Are Collected" has received wide publicity throughout the country. As a result Mortimer J. Davis, Executive Manager of the New York Association, has had many requests for copies of the results of the survey, which make very interesting reading.

Copies of the survey have been mailed to all members of the New York Credit Men's Association, but owing to the high cost of printing it is not possible to give copies to all who request them. However, copies may be obtained at \$1.00 each from Miss A. B. Keane, New York Credit Group Service, Inc., 71 West 23rd Street, New York 10.

ON THIS page it is our custom each month to present the pictures of a few credit leaders from all parts of the country. This month we have the pleasure of introducing our readers to the leaders of the three largest Associations in the country—New York, Chicago and Los Angeles.

First we present L. D. Duncan, National Distillers Products Corp., who is well known as a credit executive not only in New York but also throughout the country through his service on National Committees and notably as Chairman of the National Membership Committee during the past year. Simultaneously he has been Membership Chairman of the New York Association and its First Vice-President.

He has had an active interest in the National Association of Credit Men, almost from the beginning of his career with National Distillers Products Corp. back in 1932 when he was president of the Louisville, Ky., Association of Credit Men. On moving to the New York headquarters of his company, he became an active member of the New York Credit Men's Association, in which he has served as a vice-president since 1944. In addition, he has been a member of many of the Association's important committees.



L. D. Duncan

Mr. Duncan was born in Liverpool, England, and educated in his home country. He dates his business career from his arrival in the U. S. after World War I in which he had served overseas for four years with the Canadian Forces. On being discharged in Toronto, he moved to Chicago and later to Louisville, Ky., where he began his career in credit as credit manager for the B. F. Avery & Sons Company. In 1932, he joined the American Medicinal Spirits Company, which was owned by National Distillers, as credit manager.

CHICAGO'S President is G. T. Thomas, of the Sherwin-Williams Company. Mr. Thomas is a native of Belleville, Wisconsin. He attended the University of Wisconsin at Madison. Shortly thereafter he became Credit Manager of the Federal Rubber Company of

ASSOCIATION PRESIDENTS

Milwaukee. He then served in executive capacities in the automotive and insurance business in Chicago. In 1929 he moved to New York where he became Vice-President of two large Investment Trust Companies.

In 1930, Mr. Thomas came to Chicago



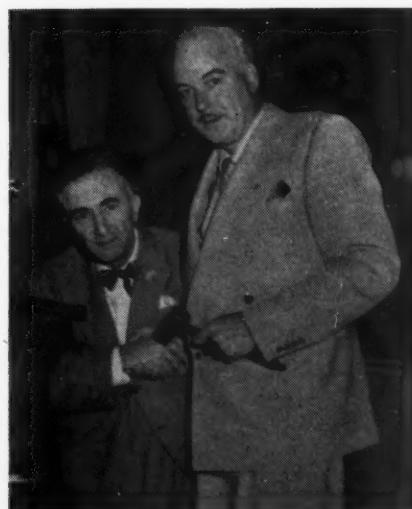
G. T. Thomas

as Manager of Credits and Accounting for the Sherwin-Williams Company and has remained in that position since that time. He has been active in the Chicago Association of Credit Men for many years, serving on important committees and for three years as a member of the Board of Directors. He served as Second Vice-President in 1947 and a year later was elected First Vice-President.

Mr. Thomas is a member of the Chicago Athletic Club and also the Milwaukee Athletic Club.

THE new president of the Los Angeles Credit Managers Association is Fred A. Cates, of Arden Farms, Inc. A native of Minnesota, Mr. Cates attended school and college there before trying his hand at lumbering in the Pacific Northwest. Returning to Minneapolis after one year he made connection with the Pillsbury Flour Mills Company, which he represented in Minneapolis, St. Louis and Los Angeles. In 1941 he joined the Arden Farms, Inc., as general credit manager, which position he holds to this day.

He has long been interested and active in the affairs of the Los Angeles Association, particularly in Zebra work. He has held every office in the Zebras including that of National Grand Exalted Super Zeb. Another activity with which he is closely identified is credit groups. He formed and was the first chairman of the Board of Governors, supervising group activity in Los Angeles. He is currently serving on the National Legislative Committee and is a charter member of the Credit Research Foundation.



Fred Cates (right) shown here with his predecessor, Les Fishbeck, at his installation as Los Angeles President.

Minneapolis Observes Past Presidents' Night

The Minneapolis Association of Credit Men in accordance with its annual custom, honored the Past Presidents of its organization at its annual meeting. A great many of these leaders continue active in business and all of them continue their counsel and interest in the Association. The following were present:

Year	
1908	J. P. Holliday, Retired.
1915-16	Charlie E. Mann, Retired.
1918-19	J. W. Sprague, Retired.
1922-23	Paul R. MacMichael, Northern Rockwool Co.
1923-24	J. A. Gurley, Gurley Chocolate Co.
1925-26	Roy P. Ingundson, Minneapolis Iron Store
1926-27	F. R. Arcutt, Retired.
1927-28	John F. McGrath, Sunshine Biscuits, Inc.
1930-31	Ed S. Jones, Marquette National Bank
1932-33	Frank H. Gudgeon, Hills Bros. Coffee Co.
1838-39	Stan M. Corbell, Gamble Robinson Co.
1941-42	George D. McConnell, Munsingwear, Inc.
1942-43	Harold W. Swenson, Reinhard Bros. Co.
1943-44	Ed C. Volander, Minneapolis Honeywell Reg. Co.
1944-45	Marshall A. Frost, Minneapolis Iron Store.
1945-46	C. J. Swalen, Pako Corp.
1946-47	W. N. Rainville, Gre-Sen Mfg. Co.
1947-48	H. J. Galle, Butler Bros.

Pilsbury Grandson Wins Naval Award at Tulane

New Orleans: George Bywater, grandson of past present and Mrs. E. Pillsbury, was recently awarded the Neville Levy medal for outstanding proficiency in navigation during the annual drill and review of the Tulane University Naval ROTC unit.

Confidentially Speaking

James Gibbs has taken charge of the Credit Department at Masury-Young Co., Charlestown, Mass., succeeding Mrs. Elizabeth Petras, now Credit Manager with Joslin's Department Store, Malden . . . Morris Solomon, Caine Steel Co., Los Angeles, has been promoted to office management, while Perry Peckham takes over Credit Management . . . Mrs. Angeline Webster is credit Manager at Ernest Equipment & Supply Co., Lexington, Ky. . . . Miss Ruth Hathaway is now Credit Manager at Faler Supply Co., Kansas City.

CHICAGO CHANGES—V. F. Kamper succeeds H. W. Witwer as Credit Manager at Devoe & Reynolds Co., Inc. . . . Louis Kopinski is the new Credit Manager at John E. Fast & Co. . . . John Malone succeeds J. G. Stephan, resigned, as Credit Manager at the Glidden Company . . . A. R. Johnson has been elected Assistant Treasurer of The Container Corporation of America . . . Ray C. Perlick, Acme Steel Co., is back at his desk after a serious operation.

Joseph A. Gage has been appointed Comptroller of the Electronic Division of Sylvania Electric Products, Inc., Boston . . . Anchor Distributing Co., Pittsburgh, announce M. Scott Lauffer in charge of credits . . . E. F. Jensen takes over credits at Ed Phillips & Son Co., Omaha . . . C. G. Boardman succeeds John Maloney as Credit Manager for Tobin Packing Co., West Albany, N. Y. . . . Leslie L. Hudson has taken over credits at Johnson Tire Co., Chattanooga, succeeding A. H. Gould.

ST. LOUIS CHANGES—Julian V. Lanter is the new Credit Manager at R. Lowenbaum Mfg. Co. . . . J. H. Hoffeld succeeds Geo. Walker as Credit Manager of the Mississippi Valley Hardware Co. . . . Carl Glaser has succeeded G. A. Schwebel in credits at Carlyle Dress Corp. . . . Horace G. Campbell replaces E. J. Ball as Credit Manager of White-Rodgers Electric Co. . . . Sidney Siegfried has replaced A. Berger in Credit Management at Paramount Mfg. Co. . . . Raymond Brigham is now handling credits at Albrecht Liquor Co., Inc. . . . Walter Holthausen succeeds J. W. Plunkett in credits at Jenkins Wholesale Division . . . Tad Guise has succeeded Ed Corno as Credit Manager of Commercial Distributing Co. . . . Eugene J. Lamm is the new Credit Manager at Standard Oil Co. . . . Walter O. Heim, Barry-Wehmiller Machinery Co., is recuperating after a major operation . . . P. E. Buchert, Vice-President of the St. Louis Association of Credit Men, has been made Assistant Treasurer of Meyer Bros. Drug Co.

LOS ANGELES CHANGES—E. Ellery, Jr., has replaced R. A. Garceau as Credit Manager of Bell & Howell Company . . . O. E. Haring succeeds Owen Wright as Credit Manager of Sterling Electric Motors, Inc. . . . Donnell V. Davis is the new Credit Manager at Urban N. Patman, Inc. Mr. Davis was formerly with Coronet Packing Co. . . . Manson R. Peek, Comptroller, takes over supervision of credits at J. T. Jenkins Co., succeeding George Donnelly, Secretary-Treasurer, who is transferred to another branch . . . R. K. Rolph, Office Manager, Le Fiell Mfg. Co., has added Credit and Collection responsibilities to his duties . . . T. W. Schmitz, Credit Manager, Western Movie Supply Co., succeeds Robert R. Thompson . . . Ted Estes is now Credit Manager of Wheel Industries, Inc. . . . E. R. Mandell is the new Credit Manager of U. S. Hardware & Paper Co.

NEW YORK CHANGES—C. Thomas Chianese, Comptroller, Youngs Rubber Corp., has added Credits and Collections to his responsibilities . . . Charles R. Catlin has been made Assistant Secretary of John P. Maguire & Co., Inc. . . . Al Lang succeeds Harry Laguna as Credit Manager of Pat Hartly Casuals, Inc. . . . Reginald T. Cole, Vice-President, now represents Title Guarantee and Trust Company . . . W. J. Barry, Assistant Treasurer, now handles credits for D. B. Fuller & Co., Inc. . . . Harry Koehler succeeds C. R. Bradley as Credit Manager at Robert Gair Company, Inc. . . . R. T. Auger now represents The Jamaica National Bank . . . Fred A. Schwarz now represents The United States Rubber Company in Association membership . . . William L. Brand succeeds Jerome Margulies as Credit Manager at Simon, Healey & Goldstein, Inc. . . . Leon Armstrong has succeeded H. J. Maranz as Credit Manager of Max Udell Sons Co., Inc. . . . Walter J. Gill, Comptroller, succeeds F. B. Kupferer in charge of credits at C. J. Drislane Co.

BIRTHS—To Mr. & Mrs. Elmer Hoeltge, Hoeltge Bros., Inc., Cincinnati, Ohio, a son . . . To Mr. & Mrs. W. B. Stroup, Tool Service Company, Detroit, Mich., a daughter . . . To Mr. & Mrs. Austin T. Ropes, Sylvania Electric Products, Inc., Boston, a son . . . Mr. & Mrs. Harry Paddock, Sillers Paint & Varnish Co., Los Angeles, a daughter . . . Mr. & Mrs. George Nichols, Public Loan Co., Terre Haute, Ind., a son . . . Mr. & Mrs. B. M. Marshall, Sinclair Coal Co., Kansas City, a son . . . Mr. & Mrs. Leonard J. Gruber, Central Carton Co., Cincinnati, a daughter . . . Mr. & Mrs. Frank Fischer, General Electric Co., Cincinnati, a son . . . Mr. & Mrs. William Voss, Cincinnati Association of Credit Men, Cincinnati, a son . . . Mr. & Mrs. M. F. Ogram, General Fireproofing Co., Rochester, a son.

E. B. M.

Smith, Honolulu

Secretary, sues

Former Employee

Honolulu: Alvin A. Smith, Secretary-Manager of the Honolulu Association of Credit Men has filed a \$50,000 damage suit against Jack W. Williams, doing business as the Mercantile Credit Bureau and also as the Oahu Collection Agency, and against Arnor Arthur Aurdal, an employee of Williams.

The suit alleges that Williams and Aurdal, the latter a recent employee of Mr. Smith, by naming their firm the "Mercantile Credit Bureau," are confusing the public into thinking that the business being performed by them is being performed by Smith, who is the proprietor of the Merchantile Reference Agency, an old-established credit reporting service founded in 1896, and of Credit Bureau of Hawaii.

Mr. Smith is also seeking a perpetual injunction restraining the respondents from using the trade style of Merchantile Credit Bureau or any other similar name.

An action in equity, the suit was filed June 1, but at the time of writing had not come up for trial.

H. M. Oliver Died Suddenly June 5 Of Heart Attack

Pittsburgh: H. Mell Oliver, executive manager of the Credit Association of



Western Pennsylvania, died suddenly on July 5 of a heart attack in Shadyside Hospital. He had played golf the previous Saturday afternoon and collapsed in his home Sunday evening. He was 69 years old.

Mr. Oliver was born in Savannah, Ga., in 1879 and moved to Pittsburgh in 1923. He was appointed executive manager of the Credit Association in 1931. An expert on bankruptcy cases, he was described as "one of the oldest and ablest sectional managers of the National Association." Funeral services were held on Thursday, July 7, in Crafton, Pa., where he lived. Burial was in Augusta, Ga. Mr. Oliver is survived by his widow, a daughter and a niece.



Omaha Secretary Feted in Honolulu

Honolulu: On his way home from his recent trip to Japan, Gus P. Horn, Secretary-Manager of the Omaha Association of Credit Men, stopped off in Honolulu. While there he was feted by the Directors of the Honolulu Association of Credit Men and its Secretary, Alvin A. Smith.

The picture above shows Mr. and Mrs. Horn with the President of the Honolulu Association and his wife. In the picture are: Seated, left to right, Mrs. Donald I. Sroat, Mr. Gus Horn, Omaha Association of Credit Men, Mr. Donald I. Sroat, President, Honolulu Association of Credit Men, and Mrs. Gus Horn. Standing, left to right, Mr. Joseph K. Tom, Vice President, Honolulu Association of Credit

Men; Miss Eunice Wyman, Mr. Vergne Tanner, Treasurer, Honolulu Association of Credit Men; Mr. Ryohei Asakura, Director, Honolulu Association of Credit Men; Mrs. Ryohei Asakura; Mr. Kenneth E. Block, Assistant Secretary, Honolulu Association of Credit Men; Mrs. Joseph K. Tom; Mr. Alvin A. Smith, Secretary, Honolulu Association of Credit Men; Mrs. Kenneth E. Block; Mrs. Alvin A. Smith; Mr. H. S. Ham, Director, Honolulu Association of Credit Men; Mrs. H. S. Ham; Mr. George Conniff; Mrs. Roy Bunn; Mr. Roy Bunn, Director, Honolulu Association of Credit Men; Miss LaVerne Kirkeby; and Mr. Joseph S. Leder.

New Officers Are Inducted at Los Angeles Meeting

Los Angeles: The annual Industry Credit Group Night was the setting chosen by the Los Angeles Credit Managers' Association for the induction of the newly elected officers and directors: President, Fred A. Cates, Arden Farms Co.; First Vice-President, R. D. Roberts, Union Oil Company; Second Vice-President, Elmo Trimble, Wilson Paper Co.; Secretary, A. D. Johnson, Los Angeles Credit Managers' Association; Treasurer, P. J. Stilwell, Hammond Lumber Co.

Following the formal program the evening was devoted to dancing and an excellent floor show.

Duluth Honors Retired Member

Duluth: M. F. Sullivan, credit manager of the Standard Oil Company since 1918, has retired and has been made a life member of the Duluth-Superior District Credit Association. He is a past President and long time Director of the Association.

Providence: Joseph F. Madden, Nicholson File Company, was re-elected President of the Rhode Island Association of Credit Men for the third successive term at the Association's Annual meeting.

Golf Stag Party at Toledo

Toledo: The Toledo Association's Golf Stag was held June 15 at the Chippewa Country Club.

Situations Vacant

EXCEPTIONAL OPPORTUNITY Industrial Credit Man

A large manufacturer of industrial materials with administrative offices in eastern location offers excellent opportunity to properly qualified industrial credit man. Applicant should be university graduate between thirty-two and forty years of age with minimum of ten years' industrial credit work. Starting salary and rate of advancement above average. Submit complete details regarding education, business experience with salary record, and when available for personal interview. Our employees informed. Apply Box Jy 1, CREDIT AND FINANCIAL MANAGEMENT.

The Moorman Manufacturing Company, Quincy, Ill., has a possible opening in the credit and collection department for a young man between the ages of 25 and 30 with a farm background, who has had a little credit experience and business administration education. A married man is preferred but not essential.

Situations Wanted

Woman Executive, excellent correspondent, experienced, employed past eighteen years with AA-1 Steel Distributor. Thoroughly familiar with steel warehouse procedures, sales promotion, and purchasing. Graduate Credit and Collections. Compose all letters for present employer. Sales letters that bring orders. Collection letters that bring money; keep customers good will. Assist in purchasing and advertising. Efficient, cooperative, speedy, systematic, accurate. Can do work of two and not afraid of it. Pleasing personality and appearance. Single, unencumbered. Box Jy 2, Credit and Financial Management.

Robert Morris Associates Form Texas Chapter

The Texas Chapter of the Robert Morris Associates, a national association of bank credit men, was formed recently at a meeting in the Shamrock Hotel in Houston.

H. M. Seydler, Senior Vice President of The Second National Bank of Houston, and a member of the Advisory Committee of the Associates, was elected President of the Chapter. Other officers for the coming year are: Vice President, E. A. Chancellor, Vice President, Dallas National Bank; Secretary-Treasurer, Paul T. Good, Assistant Vice President, First National Bank of Houston. Elected to the Board of Directors were: I. F. Betts, President, American National Bank, Beaumont; W. B. Duke, Vice President, Fort Worth National Bank; W. L. Tandy, Vice President, National Bank of Commerce, Houston; and C. C. Menger, Assistant Cashier, Alamo National Bank, San Antonio.

Walter L. Rehfeld, Vice President, Mercantile-Commerce Bank & Trust Company, St. Louis, and President of the Associates, and Ray Duning, Executive Manager, Philadelphia, Pa., also attended the meeting to represent the national organization.

The formation of the Texas group completes the blanketing of the country with Chapter organizations on a city, state or regional basis and makes the twenty-first such Chapter organization.

The Robert Morris Associates continues to grow steadily and now numbers 650 banks and 1725 representatives in nearly 300 cities throughout the country. This compares to less than 390 banks and 1100 representatives as recently as 1944. The membership policy continues to be a selective one with no emphasis on numbers. However, while its membership only comprises about 4.5% of the total number of banks, it does represent 70-75% of the resources of all commercial banks in the country.

The Associates will hold their annual Fall Conference this year at the General Oglethorpe Hotel in Savannah, Georgia, on October 9-12. An exceedingly interesting and instructive program is being developed by the South-eastern Chapter members, who will act as hosts to the national body this year.

300,000 Accounts in Chicago Credit Survey

Chicago: A record number of 300,000 accounts are represented in the results of the eighth quarterly survey of accounts receivable conducted by the Chicago Association of Credit Men.

Accounts	Discounting	When due	Past due
Retail	67.6	19.00	13.4
Wholesale	55.8	34.3	9.9
Industrial	47.7	41.8	10.5

Committee Meets With Government Agencies

New York: Wilbert Ward, Vice President, National City Bank of New York, and Chairman of the International Payments Committee of the Foreign Credit Interchange Bureau advised that a meeting of the Committee on June 2nd with representatives of the International Bank, the International Monetary Fund, the Department of Commerce, and the Federal Reserve Bank of New York, recorded real progress in the Committee's attempt to secure more complete and up-to-date information on world markets.

Mr. Ward said that representatives of the governmental agencies were extremely sympathetic to the exporters needs and that all concerned were willing to cooperate to the utmost in providing the fullest possible information available to their respective agencies, regarding the U. S. exporters world markets.

At the meeting suggestions that the Federal Reserve Bank of New York expand its present survey of Latin-American markets to include other export areas was sympathetically received by the Bank, and full consideration assured, Mr. Ward reported.

MEMBERSHIP PROGRESS REPORT

May 1, 1949 to June 30, 1949 Comparison

Class AA	Members		
	Net Gain	6-30-49	Percent.
Chicago	13	2039	100.64%
Indianapolis	2	947	100.21
Louisville	2	1037	100.19
Class A			
Boston	8	599	101.35%
Seattle	6	640	100.94
Baltimore	4	561	100.71
Class B			
Denver	7	317	102.25%
San Diego	4	417	100.96
New Orleans	2	278	100.72
Class C			
Syracuse	5	206	102.48%
Birmingham	4	230	101.77
Houston	3	205	101.48
Class D			
Columbus	4	115	103.60%
Chattanooga	2	154	101.31
Ft. Worth	1	103	100.98
Class E			
Cape Girardeau	11	53	126.19%
Knoxville	4	64	106.66
Sioux City	5	88	106.02
Class F			
Hannibal	1	25	104.16%

Terre Haute Hears Talk By Noted Traveler

Terre Haute: DeLoss Walker, noted lecturer and traveler, addressed the Terre Haute Association of Credit Men, on June 9 on the subject Don't Sell America Short.

Thirty-one Awards Made at New York NIC Dinner Meeting

New York: Eleven fellow awards, 20 associate awards and numerous prizes for outstanding work were presented to graduating students of the New York Chapter, National Institute of Credit and the Chapter's annual banquet on June 3.

Retiring President Edward W. Knaus, National Credit Office, Inc., pointed out that the chapter had the largest registration in its history—395 taking 535 courses. The principal speaker was Jarvis Cromwell, President of William Iselin & Co.

A. A. Beste Honored

Detroit: Albert A. Beste, Koenig Coal & Supply Co., was elected a national director of the National Office Management Association at the group's annual convention in Philadelphia which opened the week following the 53rd annual Credit Congress. Mr. Beste is 1st Vice-President of the Detroit Association of Credit Men.

Dayton Offers New Educational Course

Dayton: A new course in credit management offered by Sinclair College has been approved for credit toward an NIC diploma by Dr. Carl D. Smith, Director of Education.

Up to now it has been necessary for Dayton students wishing to qualify for the awards to journey to Cleveland or Cincinnati.

Foreign Trade Group Planned at Columbus

Columbus: Joseph J. Steig, Tracy Wells Co. heads the Columbus Credit Association, for the coming year. Other Officers are: Burd D. Miller, Jones-Witter Co., Vice President; A. M. Sutherland, Mill Mutuals, Secretary; and E. W. Hillman, Federal Glass Co., Treasurer.

The Columbus Association is considering formation of a Foreign Trade Group and is now canvassing its membership with a view to establishing it as soon as possible.

Thomas H. Nelson Holds Seminar at Dallas

Dallas: Thomas H. Nelson, President of Executive Training, Inc., and partner in Rogers & Slade, Management Consultants, New York, was in Dallas July 12, 13, and 14 to conduct a management seminar for members of the Dallas Wholesale Credit Managers Association.

Mr. Nelson will be at the Executive School of Credit and Financial Management at the University of Wisconsin for the third successive year next August 22.

OBITUARY

Samuel Ardron, Jr.

Samuel Ardron, Jr., for many years a member of the staff of the National Association of Credit Men, died in New York on June 5. He was 65 years old.

Mr. Ardron was born in Poughkeepsie, N. Y., and moved to New York City at the age of 16. After several years with the American Express Company, of which he was cashier, and with a private banking and brokerage house, he joined the National Staff as business manager of what was then known as the Credit Protection Department Fund. A year later, in 1926, he was made comptroller of the National Association and subsequently office manager and eastern divisional manager, holding all four offices simultaneously.

In 1931 he moved to Philadelphia to become secretary-treasurer of the Philadelphia Association of Credit Men, which in 1934 was re-named the Credit Men's Association of Eastern Pennsylvania. He remained there until 1939. He remained in Philadelphia in government work until 1942 when he moved back to New York which he had always considered his home town.

Mr. Ardron leaves a widow, the former Mary B. Merritt, who was for many years secretary to the late J. Harry Tregoe, executive manager of the National Association of Credit Men from 1911 to 1927.

Andrew J. McGarry

San Francisco: Andrew J. McGarry, Manager of the Collection and Construction Industries Departments of the Credit Managers Association of Northern and Central California for over twenty years, died late in May. Funeral services were held Tuesday, May 24, in Oakland.

Harvey A. Sedgwick

Duluth: Harvey A. Sedgwick, credit manager of the Marshall-Wells Co., for 42 years before his retirement in 1946, died in a Duluth hospital on Friday, June 17. He was a director of the Duluth-Superior Association of Credit Men for over 30 years, and was a past President of the Association and also a past National Director.

Bristol Will Honor Secretary

Bristol: The Board of Directors of the Appalachian Association of Credit Men, Bristol, Va.-Tenn., will present a scroll of appreciation to George D. Helms, retiring secretary-treasurer at a meeting on July 21.

Heads Hotel Credit Men

New York: E. Donald Roberts, Credit Manager of the Hotel Commodore, was recently elected president of the Hotel Credit Managers Association of New York City. B. J. O'Neill, of the Sherry-Netherland Hotel, and W. J. Parrant, of the Vanderbilt, were elected first and second vice-presidents, respectively.

ELECTIONS, AND STILL MORE ELECTIONS

Lexington: The annual dinner meeting and election of the Lexington Credit Men's Association was held June 16 at the Lafayette Hotel with over 250 attending. James R. Ernest was elected President and W. B. Warren Vice-President. George C. Roberts, Sr., was re-elected Secretary-Treasurer-Manager.

Entertainment was provided by the "Credit-Aires," the quartet of employees of the Louisville Association. The guest speaker was Judge E. E. Siler, formerly of the Kentucky Court of Appeals. Retiring President Harry W. Glass was presented with a fine pen desk set in recognition of his work for the year.

Binghamton: The members of The Triple Cities Association of Credit Men elected new officers at their annual meeting. They are: Lawrence A. Doyle, Fair Store, Court St., Binghamton, N. Y., President; Fred Jack, Whipple's Automotive Equipment, Inc., State & Lewis Sts., Binghamton, N. Y., 1st Vice President; Stuart L. Newing, Newing Motor Co., Endicott, N. Y., 2nd Vice President; James W. Rolfe, Sweet's Foundry, Johnson City, N. Y., Treasurer; Mrs. Lucile Mielke, Mielke A.B.C. Service Co., 158 State St., Room 308, Ackerman Building, Binghamton, N. Y.

Maryland: New officers have been announced by the Baltimore Association of Credit Men. The new president is Stanley B. Trott, Maryland Trust Co. Others elected are James F. Welsh, McCormick & Co., Inc., first vice-president; Samuel Wasserman, American Pipe & Equipment Co., Inc., second vice-president; J. Walter Jackson, D. C. Elphinstone, Inc., treasurer.

Grand Forks: New officers have been announced by the Grand Forks Association of Credit Men. They are as follows:

President, C. W. Lewis; Vice-President, D. W. Bohlman; Councillor, K. W. Wilcox; Secretary-Treasurer, Willard J. Brintnell, c/o Holt Printing Co.

St. Paul: Roy J. Wendel, Gordon & Ferguson, Inc., was elected President of the St. Paul Association of Credit Men at the annual meeting of the board of directors. Other new officers are Abner R. Johnson, Fairbanks, Morse & Co., Vice-President, and Clement P. Reis, American National Bank, Councillor.

Indianapolis: New officers of the Indianapolis Association of Credit Men were announced June 5. James R. McCoy, Century Paper Co., is President. Other officers are R. S. Foster, R. S. Foster Lumber Co., 1st Vice-President; L. W. Shumaker, Indiana Bell Telephone Co., 2nd Vice-President, and C. I. Carey, Peerless Foundry Co., Treasurer.

Louisville: President H. M. Kessler,

The Standard Printing Company, was re-elected president of the Louisville Credit Men's Association by a mail ballot. William H. Watts, Ballard & Ballard Company, was also re-elected to the office of vice-president. Mr. Watts is also membership chairman of the Louisville Association.

Youngstown: Edward E. Opre, Mahoning National Bank, was installed as President of the Youngstown Association of Credit Men at the Association's June 4 meeting. Other officers installed at the meeting are K. M. Thompson, Packard Electric Division of General Motors Corp., Vice-President, and J. P. Bird, Jr., Hearn Paper Co., Treasurer. Carl M. Wolter continues as secretary.

Tacoma: Joseph V. Brossamer, The Tribune Publishing Co., was elected President of the Tacoma Association of Credit Men recently.

Also Paul F. Benton, Radio Station KMO, has been elected Vice-President and Meredith J. Davies, Secretary-Manager.

Memphis: New officers of the Memphis Association of Credit Men are as follows: Ned M. French, McDonald Brothers, President; Frank M. Norfleet, Ozburn-Abston & Company, 1st Vice President; Gordon Rehkopf, First National Bank, 2nd Vice President; Roy A. Brown, Ellis-Bagwell Drug Co., Treasurer.

Cleveland: Robert O. Wendling, National City Bank, has been elected President of the Cleveland Association of Credit Men. Other officers are Walter N. Lawson, Medusa Portland Cement Co., 1st Vice-President; Fred J. Bitterman, Eberhard Manufacturing Co., 2nd Vice-President, and David H. Hotchkiss, Petrequin Paper Co., Treasurer.

Los Angeles: The Los Angeles Credit Managers' Association has issued a warning to its members to be on the outlook for telephone orders given in the name of firms with established credit ratings and using their order numbers and procedures. The merchandise is picked up later and that is that. Looks like we are back to normal.

Toledo: George E. Lawrence, Secretary-Manager of the Toledo Association of Credit Men, addressed the Toledo Credit Women's Group June 7. His subject was "The Local Picture."

Cayten Reports on Congress

Dallas: National Director Charles W. Cayten, General Tire & Rubber Company, reported to the Dallas Wholesale Credit Managers' Association on the annual convention June 3.

News from the

CREDIT WOMEN'S GROUPS

Atlanta: The program at the June meeting of the Atlantic Credit Women's Group was devoted to highlights of the National Credit Congress recently held in Atlantic City. Sue Anderson, newly elected President of the Atlanta Credit Women's Group gave a brief talk on Impressions on Attending a Credit Congress for the first time; Mrs. Marjorie Jennings gave a brief review of the Executive Sessions she attended as Past National Chairman; and Mrs. Ruth Barber, Vice-President, gave a sparkling account of the delightful entertainment sponsored by the Philadelphia Credit Association for the delegates attending the convention.

Miss Sue Anderson announced her plan to boost attendance by introducing a contest designed to spur members to bring in new members and to attend regularly.

Omaha: The Omaha Credit Women's Group held their regular monthly dinner meeting on Thursday, June 9, at the Fontenelle Hotel. After a short business meeting, the following officers were installed for the coming year. President, Miss Grace Hansen of the Dultmeier Sales Company, Vice President, Miss Dorothea De Vries, of Missouri Valley Machinery Co., Secretary, Miss Ann Yanek of Miller Electric Co., and Treasurer, Miss Fern Tucker of Barnhardt Press.

After installation, Mr. Gus P. Horn, Executive Manager of the Omaha Association of Credit Men, and Mrs. Horn gave us a delightful talk on their recent trip to Japan and Honolulu.

Wichita: National Director Mrs. M. W. Deissroth, Coleman Co., Inc., who is also President of the Wichita Association of Credit Men, reported on the National Convention at the June meeting of the Wichita Credit Women's Group.

Denver: The Credit Women's Group of Denver held their June meeting June 20 at the offices of the Rocky Mountain Association of Credit Men. Georgia Purdy, president, reported on the National Convention. Mae Prosky showed movies taken at Atlantic City.

Binghamton: The Triple Cities Credit Women's Group has announced the new board of officers for 1949-1950. They are: Mary McGraw, Binghamton Container Co., President; Mrs. Velma Hawks, Fair Store, 1st Vice-President; Mrs. Edna Groner, Newell & Truesdell Co., 2nd Vice-President; Lucy Meloro, BAC Agency, Inc., Councillor; Mrs. Myrtle Minturn, Northrup Supply, Inc., Treasurer, and Mrs. Blanche Searles, Marine Midland Trust Co., Secretary.

Pittsburgh: The annual meeting and reception for new officers of the Pittsburgh Credit Women's Club was held June 8 at the Roosevelt Hotel. James Murray, Station Manager of Station KQV, spoke on "People vs. Radio."

The officers and members of the Credit Association of Western Pennsylvania were guests at the meeting.

New officers of the St. Louis Credit Women's Club for the 1949-1950 season are: President—Mrs. Quinty Mangrum, Majestic Mfg. Co.; Vice President—Mrs. Margaret L. McCormick, Sefton Fibre Co.; Secretary—Mrs. Carolyn McIntosh, Tension Envelope Corp. of Mo.; Treasurer—Miss Mary Reilly, First National Bank in St. Louis; Membership-Director—Mrs. Betty Shea, Wm. R. Warner & Co., Inc.; Finance Director—Miss Agnes Pille, J. P. LeVeque Co.; Program Director—Mrs. Olive Hager, Dan F. Hyland, Inc.; Hospitality Director—Miss Emma Ebinger, Friede Welding & Boiler Repair Co.; Publicity Director—Mrs. Rose Midgall, New Era Shirt Co.; Scholarship Director—Miss Mabel Melcher, Schlüter Mfg. Co.

Installation was held June 9, in the Crystal Room of the Hotel Sheraton.

During the past season we have again awarded six scholarships to members of our club, and have again won second place in the National Membership Drive.

Plans are now being made for the 1949 Mid-West Credit Women's Conference which will be held at the Sheraton Hotel in St. Louis.

We hope to make this a conference long remembered by all who attended. Be sure to make plans now to meet us in St. Louis, October 21, 22, and 23.

Utica: The Credit Women's Club of Utica held their combined May and June dinner at Hart's Hill Inn, Whitesboro on June 2.

Convention reports were given by the delegates and the following new officers were installed: Miss Irene Foxenberger, President; Miss Ruth Niermeyer, Vice President; Mrs. Florence Herbst, Secretary, and Mrs. Mary Russell, Treasurer.

Mrs. Mae Welch and Miss Edith Judkins were co-chairmen.

St. Paul: The final meeting of the St. Paul Wholesale Credit Women's Club was held in the form of a delightful luncheon at the St. Paul Athletic Club June 4. Most attractive table decorations and individual favor corsages added to the occasion.

Events of the National Convention were discussed by delegates and new officers for

the ensuing year installed. They are Alice Muldoon, Tilden Produce Co., President—Betty Stevens, Westinghouse Electric Co., Vice President—Mae Rogers, Gateway Transfer, Treasurer and Bonnie Wickman, First National Bank, Secretary. Plans for the coming year were also talked on, such as scholarship award, raising of dues, etc.

It was decided to hold a summer picnic at beautiful Como Park in St. Paul the latter part of June with Irene Norman as Chairman of Picnic arrangements.

Minneapolis: At the last meeting of the season, Minneapolis Wholesale Credit Women entertained at a gala spring party Saturday, June 11, at the Minneapolis Automobile Club. Among the many guests present were Irene Austin of the Chicago Group, Loretta Fischer and Sophia Baumgartel of the Milwaukee Group as well as several members of the St. Paul Wholesale Credit Women.

A most impressive installation of the following officers for the coming year was conducted by Miss Loretta Fischer, Milwaukee, Vice Chairman, National Credit Women's Executive Committee: President, Laverne Willman, Midwest Elec. Company; Vice-Pres., Dorothy Teckler, Heinrich Envelope Co.; Secretary, Mayme Sabo, Baker Importing Company; Treasurer, Winifred Sykora, United Distributing Co.

Oakland: The monthly meeting of the Wholesale Credit Women's Group was held at the Virginian on May 23—a dinner meeting with forty in attendance.

This was the first meeting at which the new officers presided: Alice Davis, President—Mary Lorentzen, Vice President, Gwendolin Searing, Secretary, and Frances Mitchell, Treasurer.

Ellen Anderson introduced W. A. Cameron of the State Department of Employment who gave a most interesting and informative talk on "Employment Insurance" giving the rates and rulings, after which there was an open discussion.

Cleveland: The June meeting of the Cleveland Credit Women's Club was held on Tuesday evening, the 14th, at Monaco's new restaurant. Dinner was served to 55 members and guests. This being the first meeting of the club since April, the officers installed at that time assumed their new duties for the first time.

Kansas City: Two Scholarships have been presented by the Kansas City Credit Women's Club at their May meeting. Past president E. S. Seiter, Swift & Co., was present at the meeting and announced that the Association was adding an extra scholarship to the two donated by the credit women.

This meeting also saw the installation of new officers as follows: Helen Craighead, G. D. Searle & Co., president; Marjorie Cole, Hobson & Co., vice president; Florence Paullin, Nourse Oil Co., secretary; Ruth Alshire, H. Levi Co., treasurer; Kathryn House, Gernes Garment Co., corresponding secretary; and Kay Smith, Tyrrell-Bessenbacher, news editor.